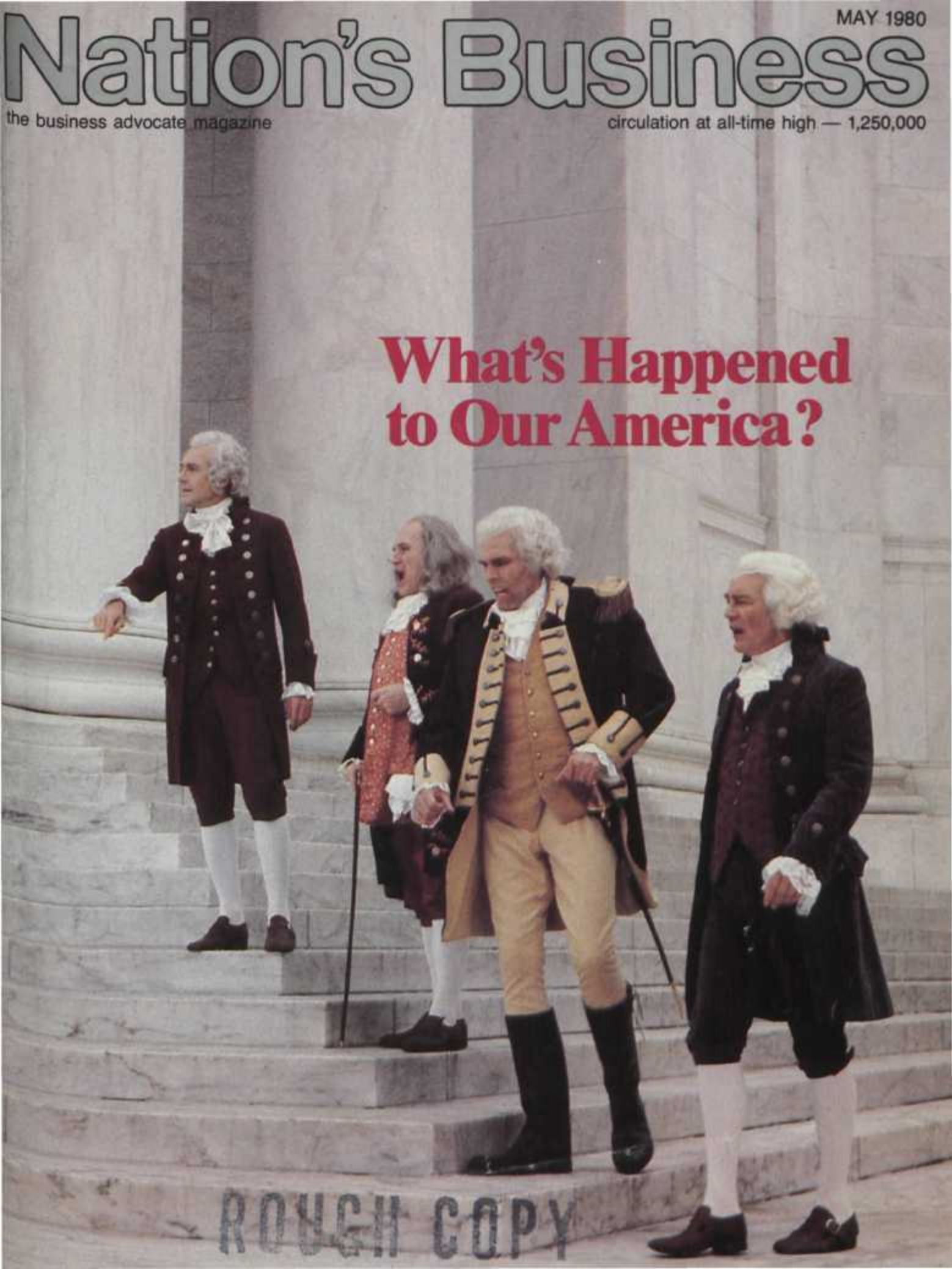
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Nation's Business

the business advocate magazine

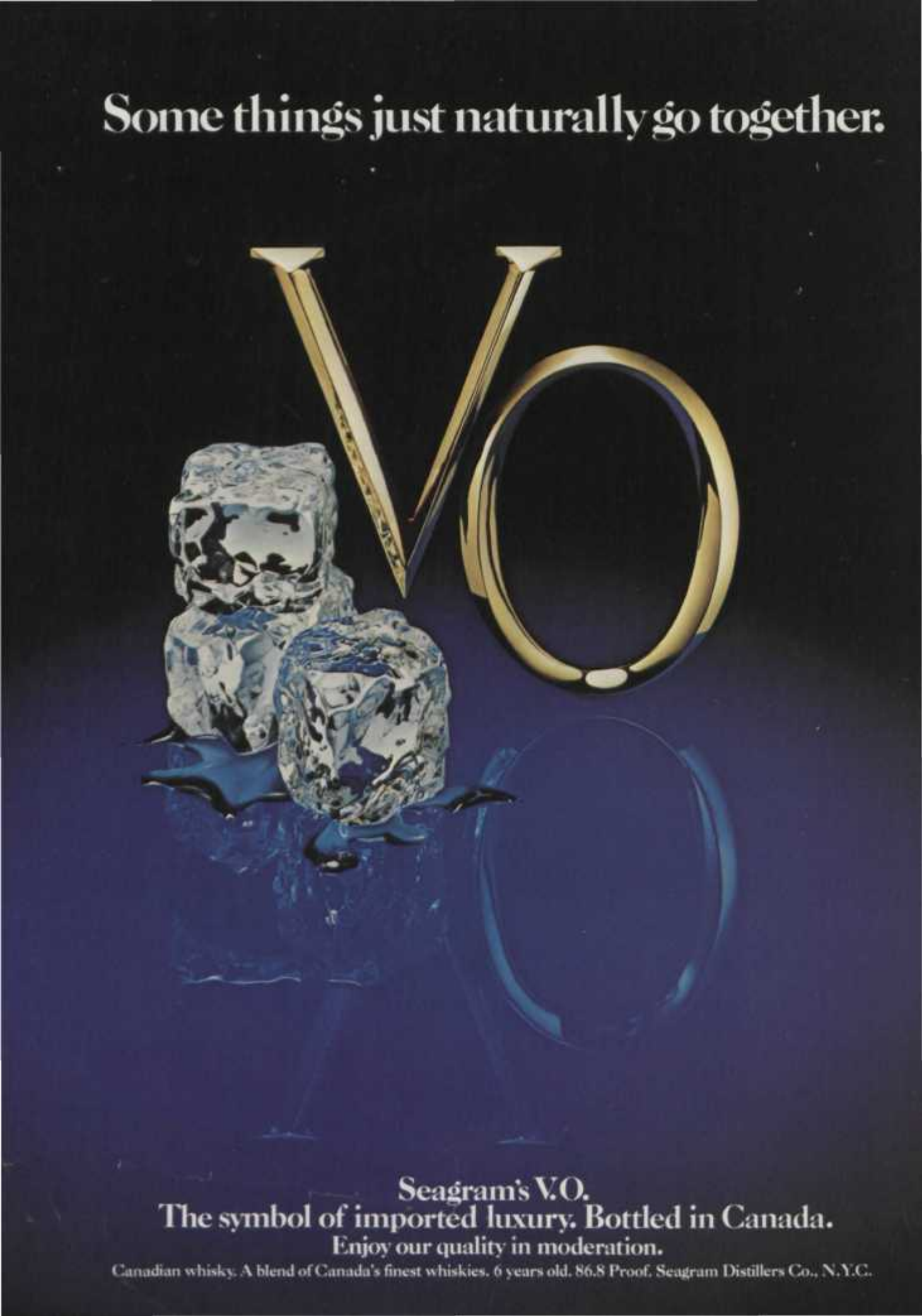
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WASHINGTON LETTER

▶ THAT NATIONAL ACCORD between Carter administration and organized labor may be coming unstuck.

Hints of growing discord are flowing thick and fast from AFL-CIO, whose leaders oppose Carter budget cutting.

Recent sample: Rudolph Oswald, director of research, telling Joint Economic Committee "the AFL-CIO is giving very careful and very serious reconsideration to its commitments and responsibilities under the national accord."

▶ FURTHER EVIDENCE OF BREAK with administration surfaces in AFL-CIO recommendation to ditch Council on Wage and Price Stability.

Neither fish nor fowl is how council is described by Ray Denison, legislative director for labor group. He urges Rep. William S. Moorhead (D.-Pa.), who heads House subcommittee on economic stabilization, to let council expire at end of fiscal 1980.

Denison reiterates labor federation's willingness to participate in a total economic controls program.

▶ WHO GETS BLAME FOR INFLATION if you favor continued federal deficit spending?

Unions--seeking scapegoat--seem to be settling on old populist target, bankers. "What does the banker produce for the higher interest he receives?" asks AFL-CIO President Lane Kirkland.

One problem with theory: Economists say that when effects of inflation and taxes are counted, lenders are actually losing money on their loans, even at today's high interest rates.

▶ RESCUE OF WORKERS' COMPENSATION system is becoming hot topic in capital.

State-run programs are in danger of collapse because of escalation in cost of insurance: Up 333 percent from 1967 to 1978, according to new Analysis of Workers' Compensation Laws from U. S. Chamber of Commerce.

Unions see federal takeover as solution. Business groups oppose that suggestion, pointing to poor cost-control record of existing federal compensation programs.

Problem, say business experts, is caused by lax medical standards and excessively generous benefits, which can easily surpass recipient's previous after-tax pay, leaving little incentive to return to work.

Chamber will work for state-by-state reform. Its tacticians say business can block the push for federalization.

▶ DON'T PAY UP-FRONT MONEY for federal disaster loans.

Officials of Small Business Administration warn that con artists are active in areas eligible for disaster aid.

Favored ploys:

1. Charge victim large loan preparation or packaging fee, with promises of securing government approval. Many of these applications are never even submitted.

2. Trick victim into signing for reconstruction work at highly inflated prices. Sometimes the fraudulent operator claims to be government employee.

▶ WHATEVER HAPPENED to red-tape cutting recommendations of Federal Paperwork Commission?

Affected bureaucrats failed to follow through on the paperwork, says General Accounting Office.

GAO indicts Office of Management and Budget for poor performance at oversight and coordination, adding that budget office reports "overstate program success

and provide inaccurate status claims."

Other problems:

• Federal agencies claim to have implemented recommendations when in fact they have not.

• Agencies reject recommendations on basis of technicalities, rather than submitting alternatives for reaching prescribed goals.

• Top managers do not participate in program. Decisions made at relatively low levels result in rejections due to misunderstandings, premature decisions, limited reviews, overlooked alternatives, and assignment to wrong person or agency.

▶ ILLEGAL ALIENS SUBSIDIZE U. S. welfare system, not vice-versa. So says David Kennedy, professor of history at Stanford University.

According to Kennedy, about four percent of illegal immigrants make claims on welfare, while nearly 75 percent of them pay income and social security taxes, and all pay sales taxes.

Growing tide of illegals is seen as major problem by unions, which resent low-wage competition. To deal with perceived threat, unions have sought immigration service crackdowns, citizen identity cards, extension of minimum wage law, and organization of immigrants.

Projections indicate Chicanos may become America's largest minority group within 10 years, a development likely to exacerbate existing tensions.

▶ INFLATION GOT LESS OF A BOOST from congressional legislation in 1979 than in 1978, although there is room for improvement, says legislative group at National Association of Business Economists, which tallies inflationary effect of nonappropriations bills.

For 1979, the group counts 95 bills as moderately or significantly inflationary, and 28 anti-inflationary. Figures for year before were 140 and 28, respectively.

▶ CLOSING BUSINESSES AN EXTRA DAY each week is one of several Department of Energy proposals to cope with severe supply interruptions.

Surprisingly, little objection has been registered by individual business people. By comparison, department received storm of protest from boat owners, who might be prohibited from using craft for one day of weekend.

Business representatives fear that business closing rule will become final unless department hears from those who will be affected.

To register an opinion, write to Charles W. Duncan, Jr., Secretary of Energy, Department of Energy, Washington, D. C. 20585.

▶ OVERWITHHOLDING IS INCREASING, despite government efforts to help taxpayers avoid it.

Why?

Perhaps it's because tax code "is too complicated to allow accurate withholding," theorizes U. S. Comptroller General Elmer B. Staats, who points out that "lost interest on one's overwithholding may be worth less than the time and effort to claim it."

Other reasons advanced include desire for forced savings, fear of being unable to meet bill for tax due, and feeling that refund is a windfall gain.

Eighty to 90 percent of taxpayers subject to withholding are lending money to federal government every year, interest-free.

▶ STAGGER FEDERAL INCOME TAX DEADLINE instead of making everything due on April 15?

It would make life easier for taxpayers, tax preparers, and Internal Revenue Service, says Robert Half, who heads accounting firm of same name.

He suggests dividing taxpayers into four groups, with different annual filing date for each group.

Would public buy it? Probably not. IRS surveyed opinion on similar scheme in 1977, found people opposed by ratio of four to three.

▶ WATCH FOR PHONY $50s. Counterfeiters, who used to prefer manufacturing bogus $10s and $20s, seem to be switching to larger denomination.

Secret Service official Joseph R. Carlon speculates that inflation may have something to do with it.



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BY JAMES J. KILPATRICK

Wanted: A Nader for Nuclear Power

DO YOU KNOW what nuclear power needs? I have figured it out. The cause of nuclear power needs its own Jane Fonda and its own Ralph Nader. It needs a hundred thousand passionate partisans who will stage demonstrations, write letters to the editor, lay siege to Congress, and claim some TV time with placards crying, "Up and Atom!" And what have we got? We have the Edison Electric Institute, the Scientists and Engineers for Secure Energy, and Irving S. Shapiro, chairman of the board of Du Pont.

Nuclear power is in serious trouble in the United States. If it is to be saved from the Luddites and the Henny-Pennys and the whole antinuclear coalition, it needs a bold, imaginative, and convincing campaign of education and public relations. Those of us who believe in nuclear power—who believe that it is both safe and indispensable—will have to redouble our efforts. If that means a touch of show biz, okay, strike up the band.

These reflections are prompted by the recent anniversary of the accident at Three Mile Island in March, 1979. God knows it was a serious accident. The costs of replacement power alone are running at $240 million a year; total costs may exceed $2 billion. The physical damage done to the plant was the least of the cost in one sense. The propaganda value of Three Mile Island to the antinuclear lobby is beyond calculation. In the past year, largely, though not entirely, as a consequence of the accident, the development of nuclear power has ground to a halt. New orders for nuclear plants have dried up. Work has slowed on the 91 new units that have received construction permits from the Nuclear Regulatory Commission. In the anniversary programs on TV, the antis got most of the play. Mr. Nader in his syndicated column was as filled with self-content as the beamish boy who slew the Jabberwock. O frabjous day! Callooh! Callay, he chortled in his joy.

BUT PUT IN PERSPECTIVE, Three Mile Island was one of the great overblown stories of the century. It outranked the false armistice of 1918 and Dewey's defeat of Truman in 1948. Three Mile Island presented about the same peril to the populace that was presented by Orson Welles' Martian invasion in 1938: The major health effect, reported the President's commission, was mental stress. In their obsession with the what if, many of the media lost sight of the what was.

You will remember the what ifs. For days we were regaled by portentous speculations—what if an atomic explosion had occurred, what if great clouds of radioactive iodine had been expelled, what if the famous hydrogen bubble had burst into holocaust, what if a meltdown had ruptured the containment building? More than two million people were living within 50 miles of the reactor. By implication, we were asked to imagine two million cancer victims. Three Mile Island, we were told time after time, was a disaster.

WELL, IT WASN'T A DISASTER. There never was the slightest possibility of an atomic explosion in the fashion of Hiroshima. The radiation



doses were so low, said the President's commission, "that the overall health effects will be minimal. There will either be no [additional] cases of cancer or the number of cases will be so small that it will never be possible to detect them." In terms of probability theory, various estimates came to the same conclusion: "It is entirely possible that not a single extra cancer case will result. And for all our estimates, it is practically certain that the additional number of cancer deaths will be less than 10."

What of the hydrogen bubble? A year ago, three scientists appeared before a House investigating committee: Prof. Karl Cohen of Stanford, and Nobel prizewinners Eugene Wigner of Princeton and Hans Bethe of Cornell. Rep. Jerome A. Ambro (D.-N.Y.) asked about the possibility of a hydrogen explosion, and Prof. Cohen said it never could have happened. This colloquy ensued:

AMBRO: You mean there was no risk of a hydrogen explosion at all?

COHEN: No, sir.

AMBRO: No risk?

COHEN: No, sir. That was imaginary.

WIGNER: No oxygen in there.

AMBRO: No oxygen; so, therefore no explosion?

BETHE: Therefore no explosion.

Somehow that relatively simple fact of chemical life never got communicated during the incident or thereafter. I suppose that I myself followed the story of Three Mile Island and the subsequent hearings and investigations with average interest, but I had not heard of the foregoing colloquy until the Edison Electric Institute recently reprinted it.

HOW DO WE GO ABOUT IMPRESSING nuclear safety on a brainwashed public? The institute is doing its best. Its recent pamphlet explains such terms as rad and rem and millirem in terms almost any layman could understand. "Without electricity from nuclear plants," the institute observes, "the typical American is exposed to about 150 millirems of radiation annually. With nuclear energy, that number is about 150.3 millirems." The person who lives next to a nuclear generating plant will get more radiation from his color TV set than he gets from the plant.

The case for safety is one part of the problem. The case for necessity is another. Nuclear power now provides roughly 12 or 13 percent of the nation's electrical energy, but the national average is misleading. In parts of the upper Midwest and Northeast, nearly one third of the electric power comes from nuclear plants. Mr. Nader and his colleagues pooh-pooh the thought that this power is indispensable. In their view, all that is required is that proper conservation methods be applied to buildings old and new. This is something like saying that if only men would be good, crime would be eliminated. The companies responsible for generating electric power have to live with the world as it is, not with a world as Mr. Nader would like it to be. In the world as it is, the demand for electric energy increases slowly but inexorably.

THE ANTINUCLEAR COALITION demands for starters that all work cease on the 91 reactors that now have construction permits and that the 72 operating reactors be phased out as soon as possible. Giving these idealists credit for sincerity and fine intentions, what realistically would they provide to replace the abandoned sources? Have they soberly thought of the consequences of a moratorium?

Merely to phase out the 72 operating plants would impose a staggering burden upon homeowners and industries across the nation. No magic wand will reduce demand. The demand is there. If the U. S. industrial society is not to be fundamentally altered in ways that would disastrously affect factories, farms, and communities, the demand must be met. What are the alternatives to nuclear power, apart from those conservation measures to which everyone subscribes? Coal is the principal alternative, but the human and environmental risks of coal are at least as sobering as the risks associated with nuclear power. If all the existing gas-fired, oil-fired, and nuclear plants were converted to coal, what would the environmental consequences be? Good scientists admit candidly that they simply do not know, but they are justly apprehensive.

MR. NADER AND HIS ASSOCIATES are known as consumerists. They profess themselves advocates for the consumer. But before millions of homeowners join the antinuclear marching throng, they should think about the costs of abandoning nuclear power. Where is the capital to build these alternative plants? Who is to pay the enormously higher fuel bills to run them? Who is to amortize the $50 billion already spent on the plants now under construction that would be rendered useless? The honest answers are that these costs would have to be borne by the consumers of electricity and by the millions of investors who have supported the industry in times past.

Eventually, a breakthrough will come in solar power, but the most optimistic engineers see little prospect of major solar contributions before the turn of the century. Relatively small increments could come from windmills, geothermal plants, biomass conversion, and other sources. Proponents of nuclear power share with their foes a common interest in development of synthetic fuels. If better, safer, cheaper, cleaner ways can be found for generating electricity, by all means let us strive to find them.

BUT THE SITUATION cries out for understanding of certain realities, beginning with the reality that there is no such thing as a risk-free society. If we all reverted to candles and kerosene lanterns, someone would promptly set his house afire. Risks must be calculated in terms of social benefits. Yes, there are risks in nuclear power. On the record, as Three Mile Island has demonstrated, the risks are acceptable. There are risks involved in coal and oil. Elements of cost cannot be cavalierly dismissed.

The example of other nations ought to be considered: Other nations, having weighed the costs and risks to their own citizens, are building nuclear generating plants as fast as the concrete can be poured.

Cub reporters are taught—at least, they used to be taught—that every controversial story has two sides: Get 'em both. Owing to the undoubted skills of Ms. Fonda and Mr. Nader and to the natural bias of the media toward bad news at the expense of good news, only one side of the nuclear power story has received much attention. I weary of hearing about the risks and the imaginary evils of what if. Surely, it is time to hear equally about the record of safety and the demonstrable benefits of what actually is. □

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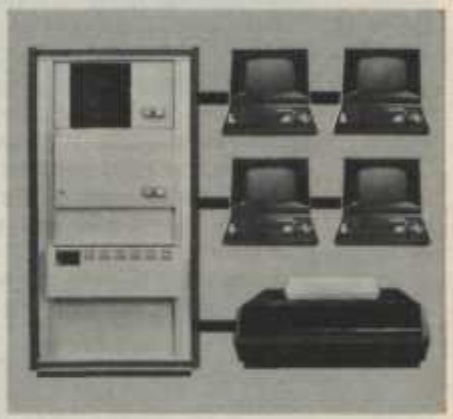


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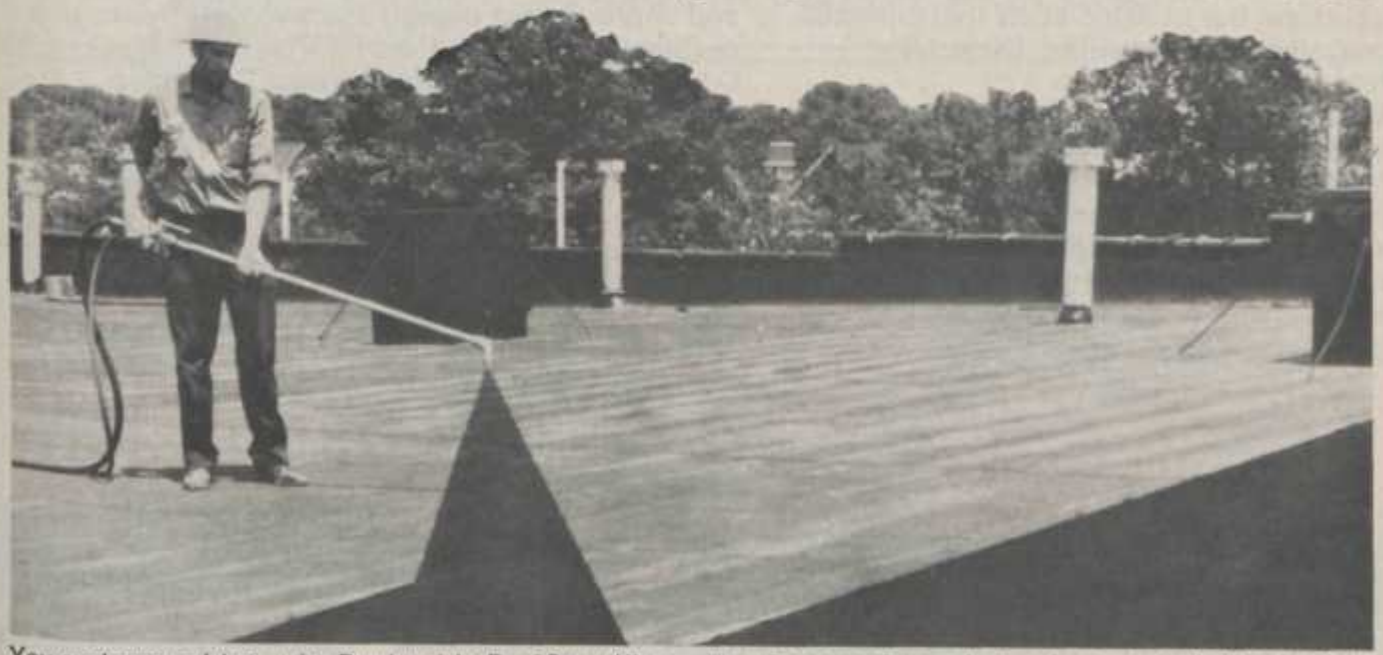
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WASH/E/2

Nuclear Industry Muddled by Government

While the article, "Nuclear Energy: Survival at Stake" [Jan.], was balanced, it made no mention of the biggest fault of the nuclear industry, which guarantees the demise of nuclear power. This fault is the total lack of a free market environment.

The nuclear industry was established by government officials, not by a free market demand. The nuclear industry has been fed with taxpayer dollars from its birth, with large amounts of its research and development being done by the military. It cannot live off its own profits. The industry is uninsurable; thus, the government insures the product.

The nuclear industry is totally strapped. On one hand, it cannot survive without government subsidies; on the other, government intervention prevents the technological innovation necessary for any business to compete. It is in a no-win position.

The entire energy economy has been muddled by government intervention to the degree that very little competition exists. If the government got out of the energy business tomorrow, a tremendous step would have been made toward the resolution of our energy problems.

F. FREELAND CHEW
Oxnard, Calif.

EDITOR'S NOTE: *The commercial nuclear industry is insured at levels that are comparable to the insurance carried by most other industries in the United States today.*

The majority of the property liability on American nuclear generating stations is provided by private companies. Under the 1977 revision of the Price-Anderson Act, the government's role in insuring nuclear power plants is being phased out.

The commercial nuclear power industry has been operating without government subsidies since the 1960s, when such financial support ended. The industry relies on borrowing to finance plant construction and on its customers to pay for plant operation.

Natural gas alternative

The article on nuclear energy does not give a true picture of America's energy situation.

To begin with, we have plenty of natural gas in this country. In his book, *The Politics of Energy*, environmentalist Barry Commoner says that we have from 7,000 to 10,000 quads—quadrillion British thermal units—of natural gas in this country. His source is the data from the nation's suppliers of natural gas.

Currently, we use about 90 quads of natural gas annually, but even if we use 100 quads a year, we will have enough natural gas to provide all the electricity we need for the next 70 to



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100 years. Cogeneration, the conversion of the heat created in making electricity, could extend this period.

According to Mr. Commoner, the costs of using natural gas would be a fraction of what it would cost to produce electricity by nuclear power. Moreover, natural gas could be a bridging fuel for our switch to solar energy, giving us time to build hydroelectric dams, develop better electric cars, install solar heating in our homes, release the steam heat stored deep in the earth for generation of electricity, and use wind power and alcohol fuel where possible and practical.

Most importantly, we could convert the oil now being used to produce electricity into gasoline for our cars, thus assuring a greater supply of domestic oil.

DAN F. CLARK
Jacksonville, Ill.

Nuclear dangers

The first thing that struck me about the nuclear energy story was a statement that nuclear power is a practical solution to our country's energy problems. But growth in our nuclear generating capacity would have little effect on oil imports because these imports go mostly to transportation and industrial uses, while nuclear power is used for the generation of electricity.

The U. S. Geological Survey has determined that there are not enough known uranium reserves in this country to fuel even the nuclear plants currently planned. How long before we run out of uranium and are back to another energy crisis?

But what struck me most about the article was the way it dismissed the danger of radiation to the public. The fact is, we don't know all the effects of radiation.

Accidents are not just confined to operating nuclear plants. Consider the radioactive waste spill at the uranium mine and mill in Church Rock, N. Mex., last July. The Navajo farmers of the area cannot use their water. Their lives have been endangered by a nuclear accident.

GINGER REBSTOCK
Austin, Texas

Better than coal

The article on nuclear energy was very convincing about the fact that nuclear is still significantly more attractive than coal for generating electrical power, even with plants requiring 11 to 12 years to build in the present licensing climate.

I do take exception with the characterization of the Union of Concerned Scientists. The article called them solar energy advocates, but added that the group "favors developing nuclear energy gradually." I am afraid this is not the case. This organization has called for shutting down half the nuclear plants presently on line and not completing any of the 90 plants under construction for the next decade.

JOHN W. WYDLER, (R.-N. Y.)
House of Representatives
Washington, D. C.

Whither courage?

I am 87 years young, an alumnus of the University of Chicago. My major was world history. After reading the nuclear article, I am wondering where all the courage we once had has gone.

No one has even been slightly injured by nuclear energy. I was at Oak Ridge when it started. My son came home from four years in the Marines in World War II to work in a plant at Oak Ridge.

Are we content to be robbed by the oil-producing nations forever? Shame on a once-courageous nation.

GEORGE CALDWELL
Brunswick, Ga.

Safety recommendation

Your extensive summary of the continuing controversy over the role of nuclear power in the nation's future surprisingly omits any mention of the President's commission on the accident at Three Mile Island.

A major recommendation adopted unanimously by the commission is that no construction permit or operating license should be issued until new safety requirements have been implemented, an acceptable operator training program is functioning, and state and local emergency plans have given approval.

T. W. METCALFE, JR.
Yonkers, N. Y.

Nuclear objectivity

My colleagues and I have read the story on nuclear energy, and we unanimously agree that it is a well-written, factual piece of work.

The article addresses most of the important issues concerning nuclear energy and answers them in an unbiased, objective manner. An excellent job on a very controversial topic.

OCTAVE J. DU TEMPLE
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American Nuclear Society
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OUTLOOK

THE ECONOMY

Former Advisers Disclaim Mandatory Controls

Advocates of wage-price controls can't look for much support from the former heads of the Council of Economic Advisers. The six who chaired the council from 1961-1977 recently warned Congress about mandating such restrictions.

Gardner Ackley, who helped design and administer World War II and Korean War controls, told the Senate Banking Committee that controls worked incredibly well then, but such success could not be repeated today. Markup or profit margin controls with pass-throughs for cost increases wouldn't do much good or harm, he said. Tough wage controls would be politically impossible to administer in peacetime and tough price controls would require an enormous bureaucracy, take two years to implement, be difficult to run, and cause shortages, he added.

PHOTO: STEVE SHAPIRO—BLACK STAR



Alan Greenspan: He and other economists oppose controls.

"There is just no way to contemplate a mandatory system actually working," said Alan Greenspan, who recommends political and budget restraint to reduce inflation.

Walter Heller recommended spending restraint but advised that "one should not let the pell-mell rush toward a balanced budget rule out prudent tax cuts that can help fight inflation." He favors tougher voluntary wage-price restraints, although he is not ready to endorse mandatory controls.

Calling controls "a short-term, escapist gambit for government," Paul McCracken warned that such measures would eventually fail. Controls would then have to be abandoned or extended and tightened further, "moving us far into the zone of a government-managed economy.

"No state-managed economy is a success story," he warned, "and no country with a state-managed economy is a democracy."

The late Arthur Okun gave mild support to "the institution of limited mandatory authority—like the power to delay and suspend major price and wage decisions—as part of a carefully defined and specific program of wage-price restraint. I am opposed to mandatory controls," he explained, "but I am even more strongly opposed to fighting inflation with a severe recession or waving at inflation with sheer symbolism."

Herbert Stein observed that "anyone who is old enough to have lived through the experience of 1971-74 and still believes in controls is beyond my powers of persuasion." He urged adoption of a 10-point program including better coordination of economic planning by Congress, the President, and the Federal Reserve System; budget surpluses in boom years; presidential authority to impound appropriated funds that would exceed a balanced-budget requirement; and appointment of a Treasury Secretary from the opposition party.

Corporate Tax Costs More Than It Nets

Tax reformers have a new ally, University of Florida economist Gregory Ballentine, who concludes that the corporate income tax is not cost effective.

"It may well be that for every dollar the government gains in revenues, the private economy loses $1.50 or more, which adds up to a net excess burden on the whole economy of $30 billion in 1977," says Mr. Ballentine, author of *Equity, Efficiency, and the U. S. Corporation Income Tax.*

How the tax's burden is distributed among consumers, capitalists, and workers is unclear at present and may remain so, the author says, but its adverse effects on the economy arise because it causes a capital shortage in the corporate sector.

Mr. Ballentine does not favor complete abolition of the corporate tax. "The optimal policy," he says, "would integrate corporate and personal income taxes so that there would be no separate corporate income tax, and retentions would be taxed as personal income." His book is published by American Enterprise Institute.

SMALL BUSINESS

Regulation Not Much Help, Say Firms

Government regulation has disproportionately adverse effects on smaller businesses, despite a "a naive belief on the part of some government policymakers and much of the public that the regulatory system is neutral."

That's the conclusion of new research at the Center for the Study of American Business, Washington University, St. Louis.

According to Murray Weidenbaum, director of the center, extravagent claims for the benefits of regulation for business itself are not borne out by the evidence.

PHOTO: TOM EBERHON—BLACK STAR



Murray Weidenbaum: Small business suffers disproportionately.

In a survey of chemical specialty firms, the center found that nine percent had realized new marketing opportunities as a result of regulation, 13 percent cited improved product quality as a benefit, six percent said they had installed better production processes, and 72 percent stated that no benefits accompanied regulation.

Regulation's adverse effects "range from life threatening, due to increased capital costs or market alterations, to merely burdensome, as in the case of paperwork requirements," the center found.

How Large Can the Small Firm Be?

What size firm qualifies as a small business? The Small Business Administration has proposed revised definitions that for many companies will mean a new way of doing business with the government. The new standards are based on the number of employees on an industry-by-industry basis. The present system measures gross receipts per industry.

In the past, SBA's size definitions have been criticized as inconsistent or confusing. For example, some firms were small enough to qualify for an SBA loan, but too big for the government procurement program.

The new standards, says William Mauk, SBA deputy administrator, are intended to limit SBA assistance in industries with sufficient competition, help small firms in industries with limited competition, and exclude too large firms.

The proposed changes would set varying standards for 750 industries, allowing businesses with as many as 2,500 employees in highly concentrated industries—down to 15 employees in more competitive industries—to participate in SBA programs.

Mr. Mauk estimates that the new standards will eliminate about 250,000 firms now eligible for assistance. Most are in the retailing, farming, and service sectors where, Mr. Mauk says, competition is already stiff and small businesses are predominant.

However, some small firms will find the new standards even more confusing than the old. For example, producers of clothing, shoes, or other dry goods will find they may employ only 2,000 people to produce women's wear, but 2,500 to make men's clothing.

SBA, which will accept comments on the proposed standards until June 6, expects to issue final regulations sometime late this summer. However, those firms targeted for minority assistance will be grandfathered back into the programs. Otherwise, most minority firms would become ineligible.

CORPORATIONS

Inflation Accounting Offsets Profit Zags

Look for more corporations to use inflation-adjusted profit data as a basis for strategic decisions. Nearly half of the nation's largest firms are using such data in response to past profit distortions.

According to a study by Hayes Hill, Inc., New York City management consultants, 47 percent of the 1,000 largest U. S. manufacturing and mining firms base fundamental strategy decisions on inflation-adjusted profit analysis—known as IAPA. This is up from 25 percent last year.

"Awareness of the need for inflation-adjusted data seems to be moving from the intellectual level to the visceral level," says Hayes Hill Vice President Robert E. MacAvoy. "Virtually everyone agrees there is a high level of embedded inflation; all businesses will eventually have to use IAPA data to evaluate long-term performance.

"Increasingly, companies are recognizing that inflation distorts profit measurements in all industries. For instance," says Mr. MacAvoy, "many companies engaged in secondary manufacturing are now interested in IAPA because they realize that inflation's impact is universal."

When asked what impact IAPA has had on major strategy decisions, 48 percent of the users of such data said the analysis signaled needed adjustments to business or market segment targets, which subsequently were made. Thirty-five percent said IAPA raised some important questions, but resulted in little direct action. Only three percent felt IAPA had no impact on decision-making. Conversely, 11 percent of IAPA users said it raised major questions about why they are in certain businesses at all.

Faster Disclosure Sought in Takeover Attempts

Existing federal takeover laws and the definition of a tender offer would change under a proposal by the Securities and Exchange Commission.

Among the institutions affected would be banks that lend money for takeovers and acquisitions.

SEC proposes that once a purchaser acquires five percent of a target company's stock, it would be required to disclose the purchase the same day. In addition, the bidder would have five business days instead of 10 to file a comprehensive disclosure statement and would be prohibited from buying more stock until the complete statement was filed.

Under the SEC's proposed definition, tender offers would be subject to federal takeover laws and disclosure requirements if the bidder acquires more than 10 percent of a target company's stock.

GOVERNMENT

Indexing Could End Windfall Revenue Gains

With little prospect of an end to inflation, the Advisory Commission on Intergovernmental Relations recommends that federal and state governments index their personal income taxes for inflation. Indexing would mean annually adjusting the fixed dollar features of the tax code, such as the personal exemption, standard deduction, and income brackets, by the rate of inflation.

Assuming inflation rates of 11 percent in 1980, nine percent in 1981, and seven percent in 1982, a family earn-

OUTLOOK

ing $10,000 will see its taxes increase 133 percent over a four-year period without indexing, if its income keeps pace with inflation. With indexing, taxes would rise a more modest 29 percent, according to a commission study.

Although indexing is not a front-burner issue in Congress, six states—Arizona, California, Colorado, Iowa, Minnesota, and Wisconsin—have adopted some form of indexing in the past two years. Several other states have considered the measure or referred it to legislative study committees.

Commerce Reorganizes to Boost Productivity

The Commerce Department has melded the National Bureau of Standards, the National Technical Information Service, and the Patent and Trademark Office into an Office of Productivity, Technology, and Innovation.

Commerce Secretary Philip M. Klutznick says the change gives the department the ability to assist industry in meeting latent demand for U. S. products.

Mr. Klutznick emphasizes, however, that "in the long run our performance in domestic and world markets will depend not simply upon the promotion of U. S. products, but also on our ability to maintain prices and quality competitive with the products of others."

The new office will try to market federal technology to the private sector and develop techniques applicable to a wide range of industries, such as improvements in automated manufacturing, through cooperative technology centers.

AGRIBUSINESS

Farmers Should Practice Energy Conservation

Despite successful commercialization of many alternative energy sources, the most efficient way for farmers to combat higher energy costs is conservation, says the Federal Reserve Bank of Kansas City.

According to a report entitled, *Energy and American Agriculture*, the savings generated from energy-conserving practices could amount to as much as $106 per acre for such techniques as minimizing tillage, improving irrigation and grain-drying techniques, and using fertilizer efficiently.

The use of solar, wind, or biomass energy will help offset growing energy costs, the report says. "But a number of perplexing problems will limit the use of these energy sources—high initial investment costs, low or negative energy efficiency, and limited economic feasibility. On balance, alternative energy supplies are not likely to play a significant role in U. S. agriculture for some time."

Substitution of human labor for mechanized techniques is not a viable alternative, the report cautions.

"The principal difference in energy use between developed and underdeveloped countries is not that substantially less energy is used in the latter, but rather how little useful work is obtained from the energy used there. . .," the report says.

Consumers Eat Less Beef, More Pork, Fish, and Fowl

Short supplies, high prices, and nutritional concerns are causing a decline in per capita beef consumption.

The U. S. Agriculture Department reports that beef consumption dropped 10.5 percent in 1979 from 88.9 pounds to 79.6 pounds per person—the largest decline since 1945.

The beef decrease was offset by a 13.9 percent increase in pork consumption to 64.9 pounds and a 2.8 increase in poultry consumption to 58.6 pounds.

Production is the main factor influencing consumption. Basically, 11 percent less beef was available because production was curtailed as the industry shifted from liquidation to herd rebuilding.

Hogs, which take considerably less time than cattle to produce, increased 15.4 percent, and poultry production rose 10.5 percent.

The department notes that some consumers have opted to eat less red meat in response to medical evidence linking beef to cardiovascular disease, obesity, and cancer. Adding credence to this reasoning is increased per capita consumption of fish, cheese, and low-fat milk last year.

PHOTO: JUDY G. ROLFE—UNIPHOTO



Credit controls cramp cash-short consumers.

PERSONAL

Controls Coincide With Rising Credit Card Use

The Carter administration's credit crackdown coincides with rapidly growing credit card usage, according to a survey by the University of Michigan's Institute for Social Research.

The survey shows that between 1970 and 1977 credit card use rose from 50 to 60 percent for all families. During the same period, the amount charged per month rose from $90 in 1970 to $240 in 1977. The average proportion of monthly income charged went from nine percent in 1970 to 15 percent in 1977.

Young families, those with children, and families headed by those without a college degree are more likely to use the debt feature of credit cards, while households headed by older people, families without children, and college graduates use the cards primarily to facilitate transactions.

Store credit cards are used five times as often as bank cards to purchase durable goods.

Typical CEO Is Secure, Healthy, and a Loner

If you are a loner, not worried about your job, and enjoy talking with company directors, you have some of the attributes of a chief executive officer, says Business Careers, Inc., an executive recruiting firm that surveyed 2,000 CEOs and fashioned a profile. The typical CEO:

- Prefers not to socialize with supportive staff.
- Seldom thinks about being removed from office.
- Is less concerned with status than

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OUTLOOK

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- Is less bothered by corporate politics the longer he is in the job.
- May feel he is underpaid.

INTERNATIONAL

Forecaster Sees Worldwide Recession by 1981

The economic downturn, which has already begun in the United States and Britain, will involve every major industrial economy by the end of 1980, but will not be nearly as severe as the 1974-75 experience, says a forecast by Chase Econometrics.

John F. Norris, vice president of international economics for the firm and principal author of *A Decade of Crisis: The Next 10 Years for the World Economy*, says the American economy will have a negative growth rate of -1.3 percent this year, with U.S. import volume down 3.8 percent. In Japan, recent oil price hikes will lower real growth by three percent and by two percent in Western Europe, Mr. Norris adds.

The Organization of Petroleum Exporting Countries can be blamed for only half the world inflation rise from 7.7 percent in 1978 to 10 percent last year; the rest was homemade, generated mainly by increased labor costs, he says.

The trade balances of most industrial nations have been deteriorating rapidly. Japan slipped from a surplus of $27 billion in 1978 to $5 billion last year.

Also, he says, the prospects are slim that any of the leading economies will pull the world out of its downturn. However, "the OPEC countries, with a $66 billion increase in revenues last year and a $149 billion increase this year, have enough money to keep world trade growing nicely. But for political and economic reasons, OPEC is not going on a spending spree this time."

Justice Considers Information Protection

The Justice Department may change its Freedom of Information Act policies to encourage business cooperation with its Foreign Corrupt Practices Act guidelines.

The guidelines permit firms to ask the department whether a contemplated action would be in compliance with the corrupt practices act. However, the proposed rules have met business resistance because of the fear that information would not be kept confidential.

Justice is considering a pledge of confidentiality for all materials exempt from the information act as well as some other changes to ensure that material submitted under the corrupt practices program will not be used to prosecute a company for violation of some other federal law.

Hike in Ex-Im Bank Lending Authority Unlikely Soon

Despite President Carter's earlier emphasis on American exports to help reduce the country's trade deficit, exporters are more likely to receive encouraging words than financial assistance in 1980.

Three members of the Senate Banking subcommittee on international finance—Adlai E. Stevenson (D.-Ill.), John H. Heinz III (R.-Pa.), and Jake Garn (R.-Utah)—argue that other governments support their export industries more generously than the United States, which puts American companies at a disadvantage.

An agreement was reached to raise the direct loan authority of the Export-Import Bank from $4.1 billion to $5 billion, but a new budget resolution, now in conference, will have to be passed to implement the change.

"You can never be certain when you are dealing with Congress," says an Ex-Im Bank spokesman, "but passage of the new resolution seems highly unlikely for 1980."

TRENDS

Individuality Is Key to Marketing in the 1980s

A significant segment of the affluent consuming public has developed a psychological need for products that express individuality, says Ellen I. Metcalf, who studies consumer behavior for Arthur D. Little, Inc., the management consulting firm.

The desire to do one's thing might lead to purchase of a wood-burning stove or, at mid-decade, an electric car, in order to make a visible statement on energy conservation, she concludes. In a lower price range, T-shirts will continue to proclaim political and social messages to the world.

Ms. Metcalf says that consumers in the decade ahead will be "looking for ways to do things one wants to do and finding the means to do more of what one wants to do in a given time."

The 1970s' oil embargo and subsequent fuel shortages helped shape this thinking, she says. As a result, companies in the 1980s face a difficult job. They will have to produce customized, and therefore more expensive, goods while maintaining a relatively modest cost. □

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The doctor could then treat the patient almost as if he were on the spot.

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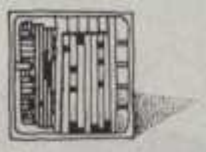
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What's Happened to Our America?

The Founding Fathers conduct a fact-finding mission to discover the state of the nation and the federal system they conceived

EARLY IN MARCH, a camera production unit set up at the Lincoln Memorial. The few tourists on hand gawked at four powdered and bewigged gentlemen decked out in colonial frock coats and white stockings.

The historically-adept could recognize George Washington, Alexander Hamilton, James Madison, and Benjamin Franklin. The actors portraying these Founding Fathers were making a 30-minute musical for the Chamber of Commerce of the United States, entitled, *Let's Get It Back, America.*

The plot centered on this question: If the four could visit Washington, D. C., in 1980, what would be their reaction to the state of the nation they founded.

Historic conference

The idea fascinated the editors of NATION'S BUSINESS, and Senior Editor Barry Crickmer was assigned to interview the visiting statesmen. Around the conference table were:

Gen. Washington, most honored citizen, leader of the revolutionary forces, and president of the constitutional convention; Col. Hamilton, financier, prime mover of the convention, an author of the Federalist papers and advocate of strong, but not necessarily big, government; Mr. Madison, the father of the Constitution, intelligent, strong-willed, but able to compromise, author of most of the Federalist papers; and Dr. Franklin, the philosopher, an elderly optimist, and moderator of the vying factions at the 1787 convention.

Their answers are based on their philosophies and ideas as expressed in their own writings and those of scholars and historians. The statements in quotation marks are authentic, though assembled from various sources and not necessarily in proper time sequence. The dialogue outside of the quotation marks is factually accurate, but imaginary.

NATION'S BUSINESS: Gentlemen, we are honored to have you here today.

The country, as you have noticed, has grown considerably since 1787. As you foresaw, Colonel Hamilton, it has become a great industrial power. Its science and technology have flowered, very much in your spirit, Dr. Franklin. And yet, despite the material progress—or perhaps because of it—the country is also more democratic, contrary to the fears of Thomas Jefferson. We have you to thank for that, Mr. Madison, along with the other authors of the Constitution.

The country is also strong militarily. Even so, as General Washington will not be surprised to hear, military appropriations are often controversial.

Above all, gentlemen, your revolution has never really ended. Americans are still a contentious people, quick to demonstrate for their beliefs.

Because of important similarities between your time and ours and because of your universally respected political wisdom, we want to seek your advice about some current problems.

GEN. WASHINGTON: I fear, sir, that you do us too much honor.

DR. FRANKLIN: My dear general, as usual you are much too modest. I seem to recall these exact words from you: "We ought not to look back unless it is to derive useful lessons from past errors and for the purpose of profiting by dearly bought experience."

GEN. WASHINGTON: Yes, Ben, I remember saying that. I also said: "Weak at home and disregarded abroad is our present condition, and contemptible enough it is." Pray what useful lessons can be learned from that state of affairs?

NB: We still have problems with respect abroad, gentlemen. And at the time of the revolution, many of your difficulties were economic, were they



FRANKLIN:
For regulating commerce an assembly of great men is the greatest fool on earth.



HAMILTON:
It might be . . . that the most productive system of finance will always be the least burdensome.

not? Inflation and a large national debt?

GEN. WASHINGTON: Indeed. Our struggle for independence cost more than $100 million. Much of it was borrowed abroad and not soon repaid. Congress issued paper money with so little backing that it depreciated to a fortieth part of its initial value.

NB: Present-day Americans are struggling with a depreciating dollar, too.

COL. HAMILTON: A situation that foments chaos and tyranny. Those fools in Rhode Island actually passed a law compelling creditors to accept their government's worthless paper money in payment of outstanding debt.

NB: Perhaps we shouldn't discuss paper money, Colonel Hamilton.

COL. HAMILTON: God forbid that it should happen again. Can you conceive a faster way to return a modern economy to barter?

NB: Are you saying, Colonel Hamilton, that the Continental Congress should not have borrowed to fund the war effort?

COL. HAMILTON: Oh, no. I recall predicting that: "A national debt, if not excessive, will be to us a national blessing." But to manage debt prudently, commerce must flourish; and for commerce to flourish, the people must have faith in the national currency and in the ability and the intention of the government to repay its debts.

NB: Then you believe, Colonel Hamilton, that a reasonable debt can be tolerated if the national economy is strong enough to carry it?

COL. HAMILTON: Of course. I stand on an observation I made in the early days of our republic. "The prosperity of commerce is now perceived and acknowledged by all enlightened statesmen to be the most useful as well as the most productive source of national wealth." Methinks Dr. Franklin made a sage comment in a similar vein.

DR. FRANKLIN: You are indeed kind, Alex. Let's see, I believe it went much like this: "Righteousness, or justice, is, undoubtedly . . . the surest foundation on which to create and establish a new state. But there are two nobler virtues—industry and frugality—which tend more to increase the wealth, power, and grandeur of the community than all the others without them."

GEN. WASHINGTON: Let us not forget, gentlemen, in an excess of zeal for growth, that "one method of preserving [public credit] is to use it as sparingly as possible . . . not ungenerously throwing upon posterity the burden which we ourselves ought to bear."

DR. FRANKLIN: Your point is well taken, General. I have always said: "There are two ways of being happy: We must either diminish our wants or augment our means—either may do. . . ."

NB: It sounds as though you are saying that a government troubled by inflation must cut its spending or raise taxes. Neither course is easy. Today, there is great resistance to increased taxes.

GEN. WASHINGTON: We are acquainted with that problem, too, sir. In our day, a fellow named Shays led a rebellion against taxes in rural Massachusetts. Had to be put down, of course, but not without some pain, since we all got our start protesting taxation. I assume states have long since learned their lesson and no longer oppress their citizens.

NB: Unfortunately, no. Taxes are still a problem at both federal and state levels. The average worker today must



WASHINGTON:
One method of preserving public credit is to use it as sparingly as possible.



MADISON:
There are more instances of the abridgment of freedom . . . by gradual encroachments.

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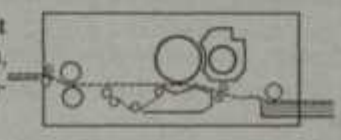
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labor for more than four months just to pay all his taxes.

COL. HAMILTON: "It is evident from the state of the country, from the habits of the people, from the experience we have had on the point itself, that it is impracticable to raise any very considerable sums by direct taxation."

NB: Surely, Col. Hamilton, you are not saying that the government can do without revenue.

COL. HAMILTON: Indeed not! "A nation cannot long exist without revenue." But "it might be demonstrated that the most productive system of finance will always be the least burdensome."

NB: A system of taxation not excessively burdensome may produce more revenue than one which is?

COL. HAMILTON: Certainly. "The ability of a country to pay taxes must always be proportioned, in a great degree, to the quantity of money in circulation and to the celerity with which it circulates."

NB: What form of tax do you favor?

COL. HAMILTON: Taxes on consumption. I believe you use the term, sales tax, or value-added tax. There are many advantages. "The amount to be contributed by each citizen will in a degree be at his own option and can be regulated by an attention to his resources. The rich may be extravagant, the poor can be frugal. . . ."

NB: How do you answer the charge that taxes on necessities fall most heavily on those least able to pay?

COL. HAMILTON: "Private oppression may always be avoided by a judicious selection of objects proper for such impositions."

NB: Are there other advantages?

COL. HAMILTON: Yes. "It is a signal advantage of taxes on articles of consumption that they contain in their own nature a security against excess. . . . If duties are too high, they lessen the consumption; the collection is eluded; and the product to the treasury is not so great as when they are confined within proper and moderate bounds."

NB: Yet today, there is a myriad of duties—federal, state, and city income taxes, excise taxes, sales taxes, gasoline taxes, estate taxes, capital gains, social security and unemployment taxes, payroll taxes, to name but those well-known. And for the collection of all these taxes there is a mammoth government bureaucracy that has spread across the land.

GEN. WASHINGTON: Can this be the same limited government we bequeathed to the nation in 1789?

MR. MADISON: Is this the government we carefully designed to have no powers other than those few we specifically enumerated? That certainly is not the way we planned it.

DR. FRANKLIN: It has been the experience through the ages that no government can be trusted to remain benign, whatever its system of taxation. It seems to me, Jemmy, that you once wrote: "I believe there are more instances of the abridgment of the freedom of the people by gradual and

PHOTO: WAYNE PARTLOW



The actors who portray Alexander Hamilton, Benjamin Franklin, George Washington, and James Madison in the movie, *Let's Get It Back, America,* were filmed on the steps of the Capitol during their imaginary inquiry into the state of the nation.

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Pam Smith, Petroleum Engineer, Dowell Division, Dow Chemical U.S.A.

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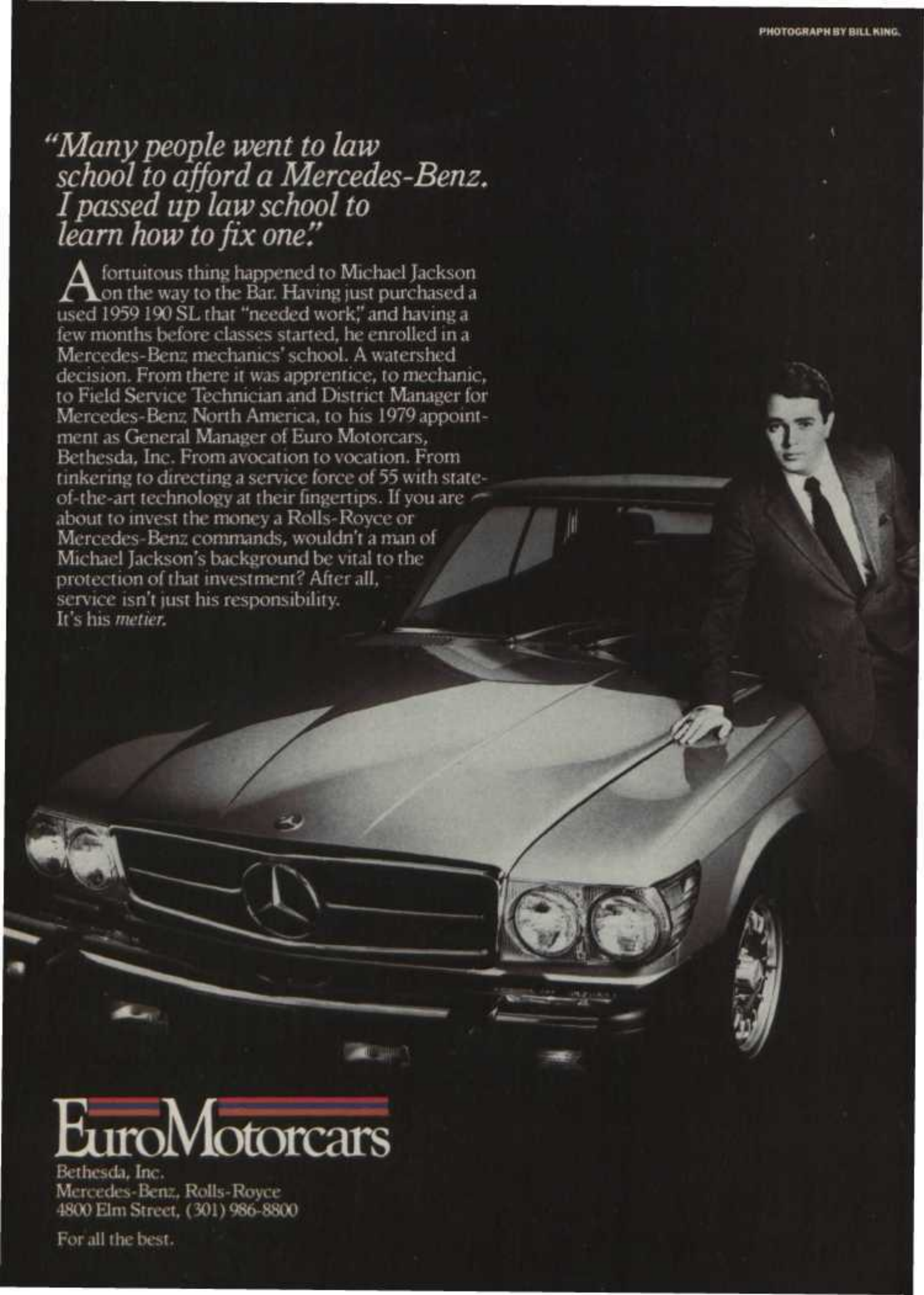
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silent encroachments of those in power than by violent and sudden usurpations."

NB: That thought, Dr. Franklin, describes what has happened in the past few years. Today, there are many who object that our government "has erected a multitude of new offices and sent hither swarms of officers to harass our people." The laws and rules promulgated in just one year cover many thousands of pages of print.

MR. MADISON: Certain of your words have a familiar ring, as I believe my friend Thomas Jefferson would be the first to notice. Do you know his definition of good government? One "which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it earns."

NB: We have strayed far from that principle. Every new law seems to require a new bureaucracy to interpret and administer it, ever-increasing amounts of revenue to fund this bureaucracy, and frequent amendments to expand the law or correct flaws in it.

MR. MADISON: I am disappointed to hear that. At the risk of immodesty, I quote from what I wrote in the Federalist papers: "It will be of little avail to the people that the laws are made by men of their own choice if the laws be so voluminous that they cannot be read, or so incoherent that they cannot be understood; if they be repealed or revised before they are promulgated, or undergo such incessant changes that no man who knows what the law is today can guess what it will be like tomorrow."

NB: But we are told that these laws are necessary to protect the people . . .

MR. MADISON: My colleagues, I see by their impatience, also recall earlier comments that are applicable to that thought.

DR. FRANKLIN: "They that can give up essential liberty to obtain a little temporary safety deserve neither liberty nor safety."

COL. HAMILTON: "A power over a man's support is a power over his will. Give all power to the many, they will oppress the few. Give all power to the few, they will oppress the many."

GEN. WASHINGTON: It defies understanding how an oppressive central government—the very issue that caused us to fight the war for independence—can ever have reappeared, even under the guise of social welfare or the public good. I am appalled.

DR. FRANKLIN: "It is wonderful how preposterously the affairs of the world are managed. We assemble parliaments and councils to have the benefit of collected wisdom, but we necessarily have, at the same time, the inconvenience of their collected passions, prejudices, and private interests. For regulating commerce an assembly of great men is the greatest fool on earth."

NB: Gentlemen, there are those who charge that your suspicion of governmental power exceeded your concern for the power of business only because, in your time, you had no experience with large and powerful private organizations. How do you respond to that?

GEN. WASHINGTON: Anyone addled enough to say such things—being of sound mind—must have no knowledge of the Boston Tea Party. Have you forgotten so much of the early years?

The East India Company had its own army, its own navy, and its own dominion: India. Can you boast of a private company today more powerful?

MR. MADISON: The general's example is instructive. Lord North's government gave the company its monopoly over the tea trade.

Therefore, you will observe, it was an excess of governmental power that nurtured the excess of private power. If the citizens restrain the first, competition will restrain the second.

NB: Would you, General Washington, care to make a concluding statement?

GEN. WASHINGTON: The country today seems to want for little but, perhaps, a modicum of common sense.

I see disturbing proofs of Tom Jefferson's theory that the natural progress of things is for liberty to yield and government to gain ground.

Remember, always, that "government is not reason, it is not eloquence—it is force. Like fire, it is a dangerous servant and a fearful master. . . ." □

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Campaign '80:

For Retiring Congressmen, Enough Is Enough

By Vernon Louviere

REP. TOM STEED of Oklahoma, a one-time newspaperman, likes to recall his association with seven presidents. But his legislative job has lost its appeal, and the Democratic lawmaker will retire at the close of his 17th term.

"This place has become a rat race," he says. "I looked over my shoulder and found the rats were gaining on me."

Rep. Harley O. Staggers of West Virginia, who may be the last prominent politician born in a log cabin, is also retiring. The 73-year-old Democrat, who started out as a railroad brakeman and college football coach and spent the past 15 years as chairman of the House Interstate and Foreign Commerce Committee, says:

"I'm leaving with terrifically mixed feelings, but the time has come that I should just quit."



Rep. Robert Giaimo (D.-Conn.), who sits at the pinnacle of monetary influence as chairman of the House Budget Committee, goes over spending figures with White House budget chief James McIntyre (left). Rep. Giaimo plans to return to practicing law.

Surprising retirement

Rep. Robert N. Giaimo of Connecticut served most of his 22 years in Congress in relative obscurity. In 1977, he emerged as one of the most powerful members of the House by heading the House Budget Committee. Last year, the House amended its rule to allow Rep. Giaimo to serve a second term. Recently, he surprised his Democratic colleagues by announcing his retirement.

"I always promised myself that I wouldn't become an old man in Congress," he says. "I look around and see people here who have no place to go back to. It's tragic."

At 60, he plans to return to practicing law. Like many other members of Congress, he feels that the demands of the job have become too great.

"One problem is that you're damned if you do and damned if you don't," says Rep. Giaimo. "If you do your work here, you're accused of neglecting your district. And if you spend too much time in your district, you're accused of neglecting your work here."

The three Democrats are part of a congressional casualty list that will grow as various election filing deadlines approach around the country. Most members vacating office observe these deadlines to give new candidates a chance to surface and to avoid costly special elections. The list already includes five senators and 30 House members, seven of whom are running for other offices and three of whom resigned.

There is little likelihood, however, that the exodus will reach the proportions of the last Congress when a post-World War II record of 10 senators and 49 representatives voluntarily gave up their seats. For one thing, House members are being urged to delay retirement at least until 1982 when congressional redistricting, which follows every 10-year national census, will have been completed.



Sen. Abraham Ribicoff (right) confers with Sen. Henry Jackson (D.-Wash.). After 42 years in public life, Sen. Ribicoff, former governor of Connecticut, U. S. representative, Cabinet officer, and municipal judge, has chosen retirement.

Few members of Congress who have been around Washington for any length of time disagree that the job no longer has the same rewards, the same challenges. The old camaraderies are gone. The system has been shaken by reforms. A conscientious lawmaker can hardly call his time his own. He is buffeted by the forces of mushrooming special interests and escalating constituent demands. Trying to run a government in a battered trillion-dollar economy has raised the frustration level to new heights. Few members feel they have much influence on the course of national affairs and, even collectively, on foreign affairs.

The one big, happy family image on Capitol Hill seemed to evaporate during the 1970s, which heaped new and seemingly unsurmountable problems on the workings of the legislative branch of government. Seniority became an anachronism. Traditional party discipline disappeared. Former House Speaker Sam Rayburn's admonition to freshmen members that "the way to get along is to go along" is now history. Reform has swept the halls of Congress.

"Congress has become the repository of all the unhappiness of the American people," says Rep. Charles A. Vanik (D.-Ohio), who clearly has lost his appetite for further service. While the prospects of defeat may be scaring some members into retirement, this 26-year veteran has piled up majorities of 74, 75, and 79 percent in the last three elections.

Political pinwheel

Rep. Vanik agrees with many of his colleagues that the burden of seeking reelection every two years has become intolerable. "In Congress, members are really on a political pinwheel—campaigning is an all-the-time thing," he told *Roll Call*, Capitol Hill's weekly newspaper. "This country critically needs political courage, and courage is hard to come by, living on this two-year pinwheel. Political survival becomes more important than survival of the country."

Lack of such survival may help the Republicans to win a Senate majority in November and weaken the Democratic control of the House. The variables are:

If the Republicans pick up 10 seats, they can control the Senate. Nine seats would achieve a majority if the Republicans also win the White House. A Republican Vice President could break any tie votes. Also, if Sen. Harry F. Byrd, Jr., of Virginia, who considers himself an independent, caucused with the Republicans, only eight new seats would be needed. If all these things happened and if Sen. Edward Zorinsky of Nebraska, who became a Democrat after serving as Republican mayor of Omaha, reacted to Republican gains in the Senate by changing parties again, only seven new Republican senators could put the GOP in the driver's seat.

Changing leadership

While prospects are not nearly so encouraging for the Republicans in the House, changes in Democratic leadership are inevitable in the wake of retirements and the probability of some committee chairmen being defeated.

Most retiring House members are Democrats, which raises GOP hopes for picking up new seats because the chances of defeating an incumbent are almost nil. In fact, House incumbents

have won more than 90 percent of their reelections in recent years. Sitting senators do not fare as well, but 68 percent of them won reelection in 1978.

In the Senate, two veteran Republicans, who, it seemed, might have been ready to start collecting retirement benefits, have decided to go for six more years. The senatorial future of one of them, Jacob K. Javits of New York, is in doubt. His age, 76, and the state of his health, a progressive muscular disorder, are not the least of his reelection worries.

He is almost assured of strong challenges on several fronts. The Conservative Party has committed itself to a popular Republican, Alfonse M. D'Amato of Long Island, who also has the solid backing of substantial elements in his own party. The Democrats may field either Bess Myerson, New York's consumer affairs champion, or Rep. Elizabeth Holtzman, who unseated Rep. Emmanuel Cellar, the dean of the House, in 1972.

The other senator is Barry Goldwater of Arizona, GOP presidential standard bearer in 1964, who at this point is regarded as unbeatable.

Declining power

While the effects of sweeping aside the seniority system in Congress are clearly visible, not so apparent is the declining influence of committee chairmen, both in Congress and among the voters back home. Not too many years ago, a committee chairmanship practically guaranteed reelection. Not the least of the reasons for this was the chairman's ability to deliver congressional goodies—a new federal building, a flood control project, a judgeship—to his home district or state.

Consider Sen. Russell B. Long of Louisiana, chairman of the tax-writing Senate Finance Committee. After the President and the Speaker of the House, he is considered the most potent government figure. Last year, a major newspaper poll showed that the senator had less than a 50 percent approval rating statewide. He immediately started campaigning seriously for an election that was more than a year away.

While no one remotely challenges the senator, he is well aware of back-home criticism that he devotes too much time to national affairs such as the Panama Canal treaties. That kind of voter attitude persists despite the fact that Sen. Long has as much say about the affairs of the oil industry, Louisiana's foremost industry, as anyone in government.

PHOTO STAN JENNINGS—UNIPHOTO



Sen. Barry Goldwater (R.-Ariz.) toyed with leaving, but decided to run again. First elected to the Senate in 1952, he is considered unbeatable in Arizona.

Congressmen Don't Need Gold Watches

Generous pension benefits help to soften the blow for veteran members of Congress who decide to retire. And for those who delay retirement until 1982, the pension pot will be even sweeter, thanks to a recent pay raise.

In October, 1979, congressional salaries were increased from $57,500 to $60,662. Because pensions are based on an average of the highest three years' salary, 1982 retirees will enjoy the maximum advantage of the pay increase.

A retiring lawmaker can receive up to 80 percent of his highest three years' pay, which would come to $48,000 in 1982. But that isn't all. Under the present federal pension system, two cost-of-living increases are cranked into the pension checks each year.

To receive maximum pension benefits, a member of Congress would have to serve for 32 years, some of which could come from prior military or civilian government service. Congressional pensions are optional, but those who participate contribute eight percent of their annual salary.

Sen. Long's counterpart, Rep. Al Ullman of Oregon, chairman of the Ways and Means Committee, is not likely to be toppled either, but the Republicans are fielding a candidate to oppose Rep. Ullman because he has come out strongly for a value-added tax. Oregonians, like most other Americans, are against any form of new taxation.

Going out a winner

With the demise of seniority that often led to committee chairs, there is no longer real motivation for seeking reelection after reelection. Three retiring House members are under 50, and some others are well below the age which lawmakers of another day regarded as the start of their prime years in Congress.

For example, Rep. William S. Moorhead (D.-Pa.) said in a retirement statement: "My decision to retire is unusual—yes. But I prefer to go out on top, as a winner."

Rep. Moorhead, who is 57, is ready to start a new career, practicing law. "If I leave now, I'm marketable for further employment. If I stay beyond age 60 or 65, I couldn't start a new career."

Ohio Republican Rep. William Harsha, ending 20 years in the House, has few misgivings about vacating his seat.

"The leadership is missing," he says. "Now we have many little fiefdoms running off in all directions. The old seniority system, while it may have had faults, worked."

Serving two functions

Mr. Harsha, echoing a prevailing complaint, believes that most members of Congress can no longer serve constituent needs and keep up with legislation. "Constituents demand an awful lot," he says. "I now spend about 90 percent of my time on constituent service. That leaves little room for anything else at a time when the problems of government are growing every day.

"We'll either have to get congressmen out of constituent work and make them truly legislators or let them be a kind of ombudsman for constituents and have someone else handle legislation," he adds.

Looking back over 32 years in the House, Rep. Steed of Oklahoma questions whether some of the changes in the name of progress have benefited the cause of effective legislative government.

"Take this electronics voting," he points out. "It's a blessing and a curse.

A handful of disgruntled members can force a record vote any time they want. We voted 947 times last year, and 800 of those votes were frivolous. It's a waste of time and money and slows down the whole legislative process.

"Now we've got television in the House. Some of my egotistical colleagues can't stay away from the camera. The showoffs give the House a bad image.

"Just recently we saw one of the effects of killing the seniority system. Rep. Giaimo of Connecticut had to give up the chairmanship of the House Budget Committee because of a rule limiting it to one term. He had two terms, but who knows better how to handle the budget than he does? All of this is a little like letting the cub reporter run the newspaper."

Fortunately, in retirement, most outgoing lawmakers will remember the pleasant experiences; the unpleasant ones will drift into the background.

"I'll never forget the first vote I cast in a committee," Rep. Steed recalls. "I was on the Education and Labor Committee as a freshman. There was a dispute over a lawyer the chairman wanted to hire for the committee. One of my young colleagues made a motion to kill the appointment and another seconded the motion. I voted with them. The motion was made by Jack Kennedy and seconded by Richard Nixon."

Special interest pressures

The combination of raising money for another campaign, dealing with special interest groups, and satisfying constituent demands was enough to make Rep. Vanik of Ohio call it quits.

During the first 14 years of his 25 years in the House, Rep. Vanik never spent more than $2,000 in any primary and general election combined. In the last several reelections, he says, "my voting record and my walking shoes were my campaign."

Rep. Vanik believes that special interests are wielding influence in Congress out of proportion to their role in society. Among the reasons for this is that the average length of congressional service is becoming shorter. Thus, he says, special interest groups have an easier time persuading new members than they do veterans who remember past bills and lobbying efforts.

"A hundred single-issue groups lodge their quills in members," Rep. Vanik told *Roll Call*. "The member winds up looking more like a porcupine than a congressman."

A minor but final factor that influenced Rep. Vanik to retire is the news media. He explains:

"While I was at a windfall oil profits conference meeting to decide whether the size of the tax should be $300 billion or $227 billion, I was called out at a critical point to answer a question from a hometown reporter about members' free parking. Apparently, that newspaper thought this was more important to the people of my community than $73 billion.

"There is no end to this sort of trivia. In 26 years, I have had five or six rides in government vehicles, yet most of my constituents believe that I have a free limousine with an unlimited guarantee of free gasoline.

"They believe members get free haircuts and free food in the House cafeteria. The food ought to be free—it's dreadful and could hardly be sold on the public market. Four out of five days a week I brown-bag it to survive." □



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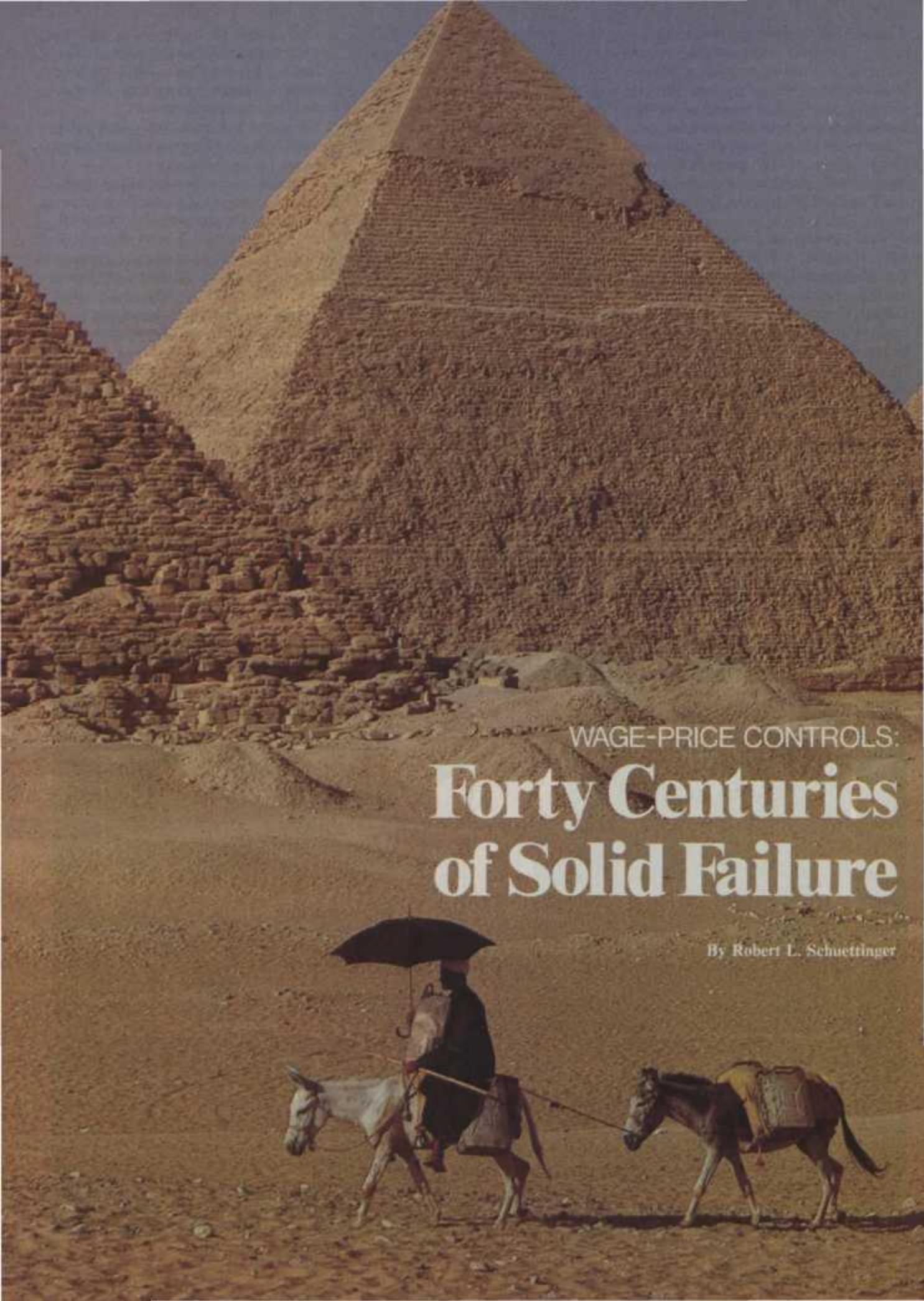
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WAGE-PRICE CONTROLS:

Forty Centuries of Solid Failure

By Robert L. Schuettinger

THE IDEA of wage-price controls is as old as civilization. For more than 4,000 years, governments have regularly turned to grandiose plans to regulate their economies, and for 4,000 years, such plans have routinely exacerbated the problems of inflation and unemployment.

Despite their history of solid failure, mandatory wage-price controls are now favored by 67 percent of the American people, according to recent polls. And the present administration, which has already imposed credit controls, is unlikely to be able to resist the lure of wage-price controls to combat persistently rising inflation.

But 4,000 years of experience have proven that controls always fail because they do not address the true cause of inflation, which is the government itself.

Rulers from the earliest times sought to solve their financial problems by debasing the coinage or issuing almost worthless coins at high face values. The governments of recent centuries have had printing presses at their disposal. When these measures resulted in inflation, the same rulers then turned to wage-price controls.

As early as 2800 B. C., the government of ancient Egypt began controlling the price of grain. By the time of Ptolemy I in 306 B. C., according to historian Jean-Philippe Levy, "control took on frightening proportions. There was a whole army of inspectors. There was nothing but inventories and censuses of men and animals. Farmers who were disgusted with all these vexations ran away."

In modern Egypt, history has come full circle. Wage-price controls enforced by the Egyptian government have resulted in unforeseen and unwanted consequences not unlike the effects of such policies pursued 4,000 to 5,000 years ago. Because the government has tried to keep the price of bread below market levels, a good deal of the bread supply is being fed to animals, since it is cheaper than hay. The result, of course, is that many people in the cities are hungry.

Smothering trade

In Babylon, controls reached their peak in the detailed Code of Hammurabi, which set prices for every conceivable economic activity. History shows that Babylonian controls on production and distribution smothered economic progress and led directly to a sharp decline of trade. Those people whom the controls were designed to help were driven out of the market.

On the other side of the world, the rulers of ancient China also attempted to regulate the economy, following the teaching of Confucius that "government interference is necessary for economic life, and competition should be held to a minimum." Every 20 shops had a master who set the price of all items sold. By the third century B. C., the Chinese realized the failure of their system and revised it.

On penalty of death

During the Golden Age of Athens, a kind of consumer protection agency was established to keep down the cost of grain. The government did not hesitate to execute both merchants who broke the law and the bureaucrats who failed to enforce price controls. Not surprisingly, the price of grain continued to rise when the supply was short and to fall when it was plentiful. Ironically, the Athenian government's draconian measures were introduced as a temporary expedient but became permanent.

In the fourth century B. C., the Roman government bought corn and wheat in times of shortage and resold both at a low fixed price. In 58 B. C., Rome began to allow every citizen free wheat. As a result, many farmers moved to Rome where they could live without working. By the time of Julius Caesar, one citizen in three was receiving wheat at government expense.

The resulting inflation saw wages and prices skyrocket. The emperors issued tin-plated copper coins to replace the denarius, whose silver content was reduced to a fraction. To control run-

. . . just as wet streets do not cause rain, rising prices do not cause inflation

away inflation, Emperor Diocletian issued a lengthy edict in 301 A. D., imposing fixed wages and prices, with a penalty of death for those who violated the law or withheld goods from the market. This led to rioting and bloodshed and, by the time Diocletian abdicated four years later, his regulations were unenforceable and the price of gold had risen by 250 percent.

As historian Levy notes: "State intervention and a crushing fiscal policy made the whole empire groan under the yoke. More than once, both poor men and rich prayed that the barbarians would deliver them from it." Cen-

MR. SCHUETTINGER *is the coauthor of* Forty Centuries of Wage and Price Controls, *The Heritage Foundation, Washington, D. C., and Caroline House, Ottawa, 1979. He is chairman of the Vermont Taxpayers Union and an associate fellow of Davenport College, Yale University.*

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turies later in the Middle Ages, Charlemagne repeated Diocletian's policies; they were equally disastrous.

In 1348, half of England's population perished of the Black Death, and the resulting labor shortage drove wages up tremendously. The government responded by setting up a system of wage controls.

Workers then refused to sell their labor and wandered from town to town seeking better pay. Economic dislocation followed, and worker indignation vented itself in Wat Tyler's rebellion.

In an effort to dampen inflation, Henry VIII resorted to price controls and a devaluation of the currency—which led to even greater inflation.

Colonies follow suit

Across the ocean, similar controls failed in the Massachusetts Bay Colony and in Rhode Island. In New France, where a thirtyfold increase in government expenditures over four years had led to runaway inflation, price controls came close to destroying the agricultural, fishing, and fur trades.

But the classic example of controls can be found in the experience of the Continental Congress.

The wanton printing of paper money—the famous continentals—had forced a 480 percent increase in commodity prices by 1777. Congress attempted to curtail this ruinous inflation by price controls, and several states including Connecticut and Massachusetts followed suit. However, by mid-1777, the Massachusetts legislature decided that price-fixing had not worked and repealed its law.

In Pennsylvania, where most of George Washington's troops were quartered, the legislature attempted to stem inflation by imposing price controls on supplies needed by the army. The prices of uncontrolled commodities, of course, rose to unprecedented heights, and farmers refused to sell goods to the army at what they felt were unfair prices.

Ill-fated experiment

After the disastrous winter at Valley Forge, during which the Continental Army nearly starved to death because of its inability to purchase food at controlled prices, Congress ended its ill-fated experiment.

On June 4, 1778, it adopted a resolution noting that "it hath been found by experience that limitations upon the prices of commodities are not only ineffectual . . . but likewise productive of very evil consequences." Congress called on the states to repeal all price-control laws.

When controls were removed, prices rose eightyfold over what they had been under a repressed economy—then quickly settled to a level slightly higher than their prewar average, where they remained for the next decade.

Learning from experience

One of the first American economists, Pelatiah Webster, wrote in 1780: "It is strange, it is marvelous to me, that any person of common discernment, who has been acquainted with all the above-mentioned trials and effects, should entertain any idea of the expedience of trying any such methods again."

Within years, however, the revolutionary government of the new French Republic tried almost every experiment in wage and price controls that had been attempted before or since. In 1793, the value of French currency was falling rapidly. The harvest that year was particularly abundant, yet a series of decrees, each one designed to remedy the ill effects of the last, led the breadbasket of Europe to the brink of starvation.

The first of these decrees put a lid on grain prices, compelled the farmers to accept paper money for their produce, and imposed both a progressive tax and forced loans on the rich. Farmers who could not get a fair price kept their goods off the market. There were popular uprisings against controls. The revolutionary government countered by setting uniform prices for a long list of goods. Within 18 days, the plan was jettisoned for still another that set prices at the 1790 level plus one third.

Armed enforcement

When this failed, it was followed by a more complex regulatory system, which gave local governments the right to compel farmers to sell their grain at a fixed price. Only the army and the police, which physically transported farmers and their grain to markets, prevented a general famine. By the summer of 1794, a large black market thrived, but in some areas people were collapsing on the streets from lack of food.

The Department of the Nord complained bitterly to the central government about its law of the maximum price: "The establishment of a maxi-

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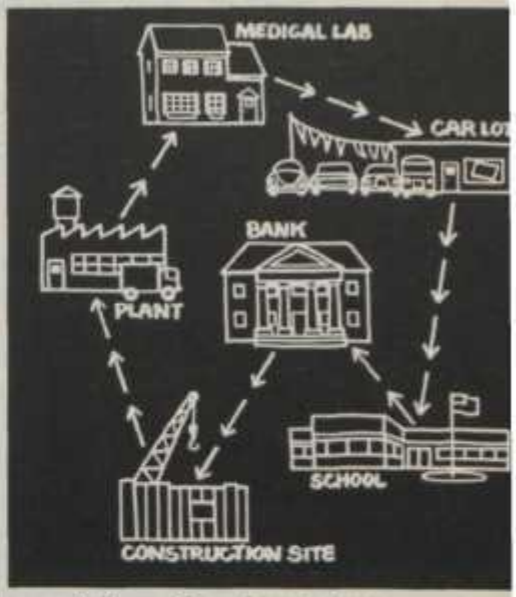
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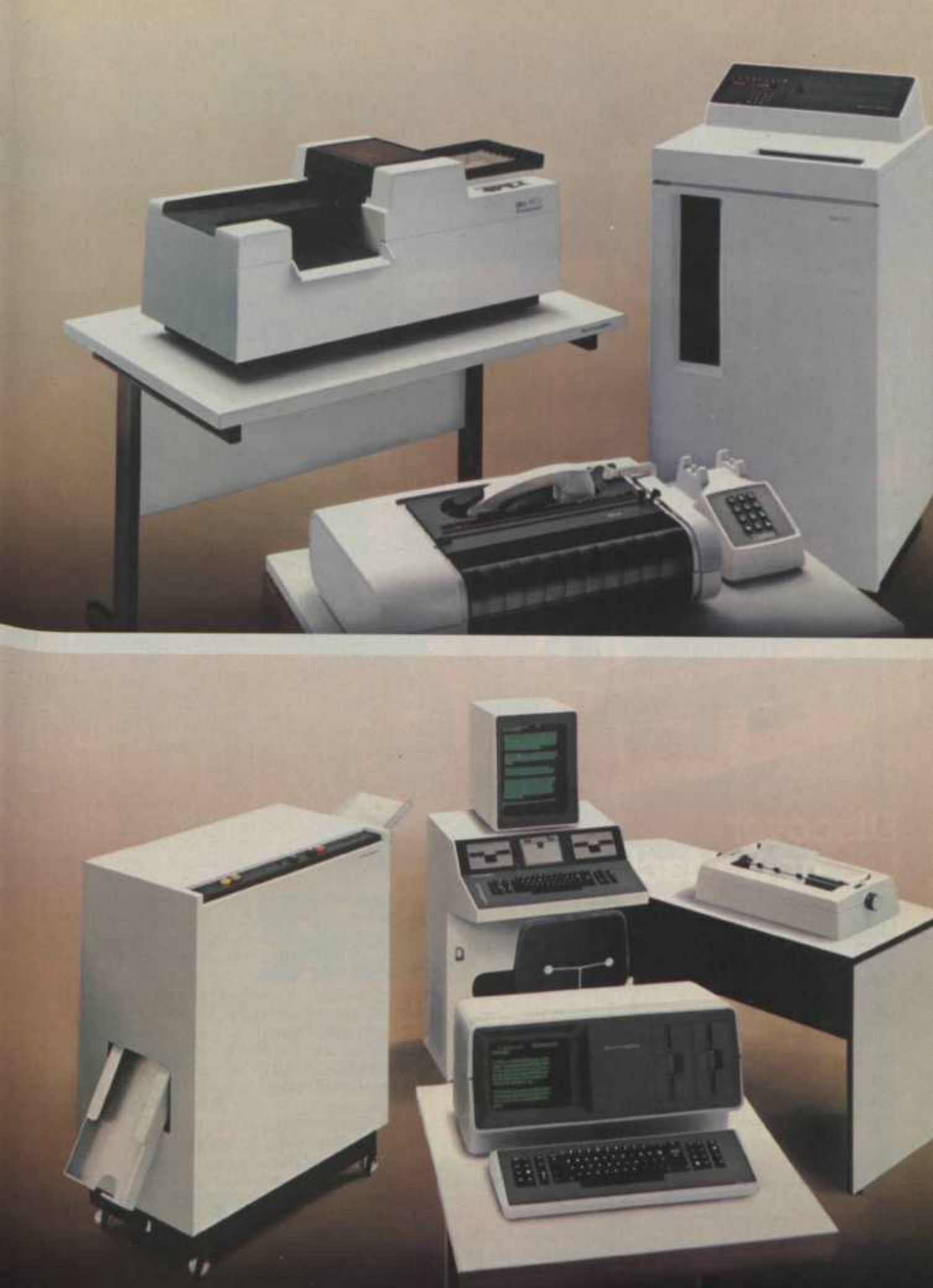
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mum brings famine in the midst of abundance. What is the remedy? Abolish the maximum."

Many areas of France did not wait for the national government to act but abolished the maximum by popular vote. In late 1794, the extremists in Paris were defeated, and the price control law was officially repealed.

When Robespierre and his colleagues were being carried through the streets on their way to execution, the mobs jeered: "There goes the dirty Maximum."

Not a cure

The lessons of history have been clear: Wage and price controls do not curb inflation but encourage it, a marketplace free of government controls works toward overcoming a scarcity in commodities, and controls at their best merely organize that scarcity.

This has been the world's experience since the days of the Pharaohs, but it has been even more evident since the post-World War II era both in the United States and in other industrialized nations.

Under President Truman, controls were imposed in response to the Korean war. In two years, the consumer price index rose from 177.8 to 191.1. Pressure from the nation's housewives led to the demise of controls, but by the Kennedy-Johnson period, guidelines were being substituted. They were at best unhelpful and, according to the late economist Arthur Okun, positively harmful.

Birth of stagflation

Nevertheless, the Nixon administration, trying to undo the effects of simultaneously financing the Vietnam war and launching a multibillion-dollar war on poverty, turned to controls to avoid reducing the federal budget. As usual, this led to economic decline. While inflation took off at an almost unprecedented rate in the United States, the economy was crippled by stagnation, giving rise to the term, stagflation. Again, the result was precisely the opposite of what President Nixon and his economic advisers sought—the nation fell into the deepest recession since the 1930s.

The double-digit inflation of the Nixon years was followed by a steady slowdown in the wage-price spiral under President Ford. This stemmed from the fact that the Ford administration demonstrated a benign and wise neglect of policies that would have allegedly fine-tuned the economy. This neglect resulted from the approach of President Ford's advisers and the clash between Congress and the White House, which foreclosed the possibility of new programs. With the market given a chance to steer the economic ship, the rate of inflation dropped to below five percent. When Mr. Ford left office, inflation had ceased to be a serious problem, and a new era of growth and economic stability seemed aborning.

That era promised to be a certainty when President Carter took office. He had assured the voters during his campaign that he would balance the federal budget, deflate the ballooning federal bureaucracy, and restore fiscal sanity to federal expenditures.

But once in the Oval Office, the President acquiesced to the demands of a spendthrift Congress and special interest groups. A new inflationary push began, with the annual rate of increase crossing the double-digit line and now approaching 20 percent.

Is inflation a consequence of rising wages and prices? Forty centuries of economic history shows that, just as wet streets do not cause rain, rising prices do not cause inflation.

Cycle of rising costs

Wages and prices rise as a consequence of inflationary government policies. The quantity of money increases faster than output—the nation's total production of goods and services. The cycle goes like this:

The grocer raises the price of bread because the wholesaler has raised his price because the miller has raised his price because the farmer has raised his price. The farmer raises his price because the cost of fertilizers and farm equipment and labor has gone up. And these have gone up because the value of the dollar has gone down as the government prints more and more money to pay for expensive giveaway programs, which in turn cost more because of the money the government has been printing.

By now, the lesson should be clear: Wage and price controls won't work because they are cosmetic; they do not deal with the causes of inflation, which are government overspending and overborrowing.

Controls on the earnings of the people or the prices of goods are not and never have been the solution to inflation. What is needed are controls on government spending. □

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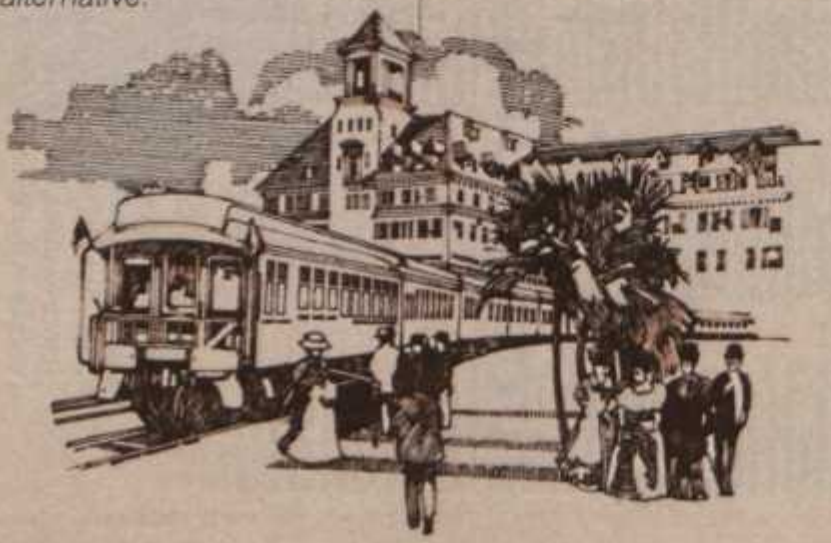


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The Maverick Who Made Armco Stronger Than Steel

By Grover Heiman

BILL VERITY is friends with Tiger Jones and Leonid Brezhnev. He relies on Cyrus Vance and Ray Witte to tell him what's going on. If you ask Mr. Verity for the time, he won't be able to say, but he'll be quick to tell you how to get the nation back on course.

And that happens to be his mission this year as chairman of the board of the Chamber of Commerce of the United States, a role that will find him often in Washington, with which he is very familiar, and traveling to towns and cities around the country.

Wherever he goes, the ruddy-faced Ohioan with a French name and English-Irish parentage is determined to win friends, convert heretics to the free enterprise system, and motivate his listeners to work toward rejuvenating the nation.

Worlds apart

C. (Calvin) William Verity, Jr., is the 63-year-old chairman of the board of Armco, Inc., Middletown, Ohio, the nation's fifth largest steel firm, which in the past decade has diversified into a variety of manufacturing and service areas. Sales last year were $5 billion, up from $1 billion when he became president and chief executive officer in 1965. A year ago, the maverick of the steel industry relinquished the CEO job in preparation for taking over as U. S. Chamber chairman.

While Leonid Brezhnev and Tiger Jones are worlds apart, Bill Verity is equally at ease with both. Tiger Jones is a Middletown steel works employee who called the boss at home one evening and invited him to be his tennis doubles partner in a city tournament for players whose combined ages were 100. Mr. Verity had never met the younger man, but that was immaterial. "I said sure," recalls Mr. Verity. "We played together for a couple of years, and we got to the semifinals once."

Like Mr. Verity, Leonid Brezhnev is an avid bird hunter. Mr. Verity, who is chairman of the U. S.-U. S. S. R. Trade and Economic Council and a member of the President's Export Council, was on a trip to Moscow with former Commerce Secretary Juanita Kreps when she realized that she had no gift for the Soviet premier, which protocol required. Mr. Verity, who had brought along a talented bird dog named Decoy for Mr. Brezhnev, took the fancy collar off his dog and had it wrapped for Secretary Kreps to give to their Russian host.

Sagasta Wilson, the maintenance man at Armco's headquarters building, traditionally was the recipient of any cigar that Bill Verity received. In fact, Mr. Verity found any request Mr. Wilson made difficult to refuse—that's why he once delivered a sermon at the A. M. E. Methodist church. This was not entirely out of character. Mr. Verity's great-grandfather had been a circuit-riding Methodist minister in southern Ohio after the Civil War.

Learning that Mr. Wilson's wife was seriously ill with cancer, Mr. Verity appeared at the door of the Wilson home on a snowy Christmas Eve with a brilliant poinsettia. "I hope this will cheer your wife up, Sagasta," Bill Verity said.

Ray Witte and Cyrus Vance? The Secretary of State is a Yale classmate and longtime friend. Ray Witte is the barber who has a two-chair shop at company headquarters.

Secretary Vance talks to Mr. Verity about world affairs. Mr. Witte is the source of Armco headquarters scuttlebutt. He also alerts Mr. Verity when a retiree is ill or wants to talk to the chairman. Bill Verity often visits the sick retirees to chat, a practice that once held up a meeting and prompted his 81-year-old mother to chide: "Bill, you are always late."

Not that Mr. Verity would ever know that he's late.

He is not a prisoner of time. He never looks at his watch for a very simple reason—he doesn't wear one. The last watch he owned was given to him by his parents on his 21st birthday.

Independent streak

"He never wore it," recalls his mother, who remembers her son developing an independent streak at an early age. "He began making his own decisions when he was 14 years old," she says.

That was when he was a student at Choate prep and announced that he wanted to transfer to Exeter. His father, who would later become executive vice president of Armco, sternly advised his son that he would have to take care of any transfer himself, which in theory settled the matter. But he underestimated his son, who the next year was at Exeter.

Another family disagreement came over the choice of colleges. Mr. Verity's father, a Cornell engineering graduate, wanted his son to go to Cornell, take engineering, return to Middle-



Besides being an avid bird hunter and collector of such trophies as a stuffed crow from the Governor of Oklahoma, Bill Verity is recognized as the visionary who diversified Armco and reorganized its top management structure.



Barber Ray Witte, who has a shop in the basement of Armco's headquarters, always knows who's doing what in the company.

town, and carry on the family tradition, which began with George Verity, who founded Armco in 1900.

Bill, however, chose Yale and liberal arts. When he graduated in 1939, it was assumed that he would return to Middletown and start an Armco career. Bill had other ideas. He wanted to go around the world and then work in Armco's Paris office.

An exasperated Calvin Verity told his son that he wouldn't give him the money, which, Mr. Verity thought, would effectively squelch the trip. Oh, money wasn't the problem, Bill explained. He had the money, saved from his job as business manager of the Yale newspaper. He simply wanted his parents' blessings.

With classmate Gardner Botsford, now a senior editor of *New Yorker* magazine, Mr. Verity headed for the Far East. Hitler's invasion of Poland to launch World War II changed their plans. Parental pleadings brought Mr. Verity home by the new year, but not before touring Japan, China, Hong Kong, Singapore, Indonesia, Bali, and Australia.

Whatever plans that were being made for Bill Verity in Middletown were still doomed. He wanted a career in journalism and headed for New York where he landed a job with Young and Rubicam, the advertising agency, at $25 a week. He had visions of a glamorous career as an advertising account executive on Madison Avenue, but within a few weeks the head of his office offered him a job that "would teach him how to market quickly"—running Hapsburg House, a New York restaurant that had fallen into financial disrepair. The former manager, author-artist Ludwig Bemelman, had abruptly departed for Brazil when an auditor appeared on the premises. Mr. Verity suddenly found himself a New York restaurateur. Within ten months the restaurant was showing a profit, and Mr. Verity returned to Middletown to take a job in Armco's public relations department while awaiting a call by the Navy.

Golf tournament

That next spring he married Margaret Burnley Wymond of Louisville, who prefers to be called Peggy. They had first met at an intercollegiate golf tournament in Louisville, when Mr. Verity was playing varsity golf for Yale.

The recreation room of the Verity home is packed with sports trophies, quite a few from golf, which along with tennis and bird hunting, is Mr. Verity's favorite sport.

He first began swinging a golf club when he was five years old. His grandfather had built a nine-hole course right next door, and the senior Mr. Verity taught his son the game. The combination of a good teacher and a penchant for working at anything he undertook produced a champion golfer. At Yale, Mr. Verity had a one handicap.

Outwardly, Bill Verity appears as relaxed as an empty hammock, but he is intensely competitive. In the final 36-hole playoff for the Brown's Run Country Club championship in 1958, he found himself down five holes on the 31st hole. He won the next five holes to even the match and took the title on the 38th hole.

The same situation arose a few years later, only this time his opponent was his oldest son, Jonathan. At the end of 36 holes they were even. On the 37th Jonathan bested his father.

The Veritys' younger son, William, is a student at the University of Virginia and a two handicap golfer. Both sons started swinging at golf balls with sawed-off clubs at the age of five under the tutelage of their father.

The Veritys' daughter, Happy, is also a golfer, but spends much of her time dealing with civic affairs in Middletown. She married an Armco employee, John Power, who works in industrial relations.

Upon reflection, Mr. Verity is inclined to agree that there has always been a streak of the rebel in his make-up. Just before his callup by the Navy, he took to roller skating to work at Armco.

One day his boss suggested that an-

other type of locomotion would be more appropriate for a young executive. By this time Peggy Verity had taken to skates, too, and would meet her husband halfway and skate home with him. What did Bill Verity do?

"I kept right on skating," he says with a chuckle. "And a lot of other people soon joined us."

It was expected that Lt. Bill Verity, who saw combat service in the Pacific during World War II, would return to Middletown and Armco at the end of the war, which he did. But there were trips back to New York and much soul-searching by Bill and Peggy Verity.

"I was older by then," he says. "And your values change. We concluded that while New York was glamorous and exciting, we wanted to live in a smaller, less hectic place and raise a family. So the decision was made to work for Armco."

Labor contracts

Back in Middletown in 1946, Mr. Verity went to work—in the mills. Then it was to personnel in Ashland, Ky., where he negotiated labor contracts, and later back to Middletown. Within two decades, he was president and chief executive officer. By 1971, he was chairman.

A gregarious man, Mr. Verity reads biographies and thrillers—his favorite author is Ayn Rand—loves movies, enjoys working in the yard, and really likes the human race.

Says one longtime associate: "His grandfather started this company—that's his statute in front of the building. But Bill Verity got where he is by performance. No one owns more than one percent of Armco stock."

Puckish humor

"Bill Verity," says another colleague, "has integrity, style, and judgment. He has that rare ability to make you want to work harder, to respond as a friend. You know, the guy is believable."

He also has a puckish sense of humor, with a flair for one-upmanship, which was typified on the 75th anniversary of his company.

To commemorate the event, a park was built between the headquarters building and Armco's research center. At the time, the company was digging a pond for an employee recreation area and excavating rocks deposited during the Ice Age. Bill Verity had one of the large rocks moved to the new park to serve as a centerpiece, which prompted within the company a running dialogue that started with the question: "Have you seen that big (expletive deleted) rock that Bill is putting in the park?"

When the day came to dedicate the park, Chairman Verity made a speech and unveiled what had become known as the BFR.

The wording on the bronze plaque dedicated the park to "Beauty—Friendship—and Rest."

Mr. Verity will neither confirm nor deny that he knew his rock had become known as the BFR, nor will he speculate on the remarkable coincidence of the initial letters. He just smiles. But he willingly discussed his plans for the coming year as chairman of the U.S. Chamber and the state of his career and his company.

Your mother describes you as a likable little devil as a youngster. Did being half Irish give you a temper problem?

Well, when my older sister would get angry at me, she would say: "You're nothing but Irish, and you have green blood." I wanted to have red blood like everyone else. One of the things I had to conquer in life was a hot temper. I had red hair, and my temper had a pretty minimum flash point.

I notice you wear a copper bracelet, but not a watch. Why is that?

Years ago I was very allergic. A wristwatch always caused a problem so I just got out of the habit of wearing one. You would be surprised, but you don't need a watch. Everyone you are with has a watch or there is a clock around. You just get used to not needing a watch.

You have three clocks in your office. Do you use them?

Those are all gifts. What do you do? My wife gave me that one, and my secretary gave me that one. But none of them agrees on the time.

Does the copper bracelet work?

It works to the degree that I am unwilling to take it off. I used to have trouble with my knees, particularly playing tennis. I started wearing this bracelet and taking a dose of apple cider vinegar and honey every other day, which is an old New Hampshire remedy. My knees are now all right. I don't know what happened or what did it or whether I just grew out of it, but I am going to keep the bracelet on.

In 1917, your grandfather created the Armco ring, which was awarded to those in general management. The tradition was allowed to lapse in the 1950s. Why did you start it up again?



Like most executives involved in foreign trade and governmental issues, Mr. Verity spends much of his life on the telephone.

After the recession of the early 1970s and some trying times for Armco, I thought we should restore the ring as a sign of recognition for the company's managers, to recreate this symbol of company leadership. The idea took, and it is a good motivator.

There was a rule of thumb in the old days that the only way you could get fired at Armco was to steal the chairman's car and then run over his wife.

There was that feeling, but both had to happen. Seriously, in the 1960s, some people thought that if you were on the payroll, you had life tenure. As a result we had some shoddy performances. So we had to do some shaking out in the early 1970s. We got the message across that Armco didn't guarantee you a lifetime job, only unlimited opportunity. You have to perform or you are out.

People say that if you have a weakness, it is that you are too compassionate. Is that a weakness in an executive?

It is unless you know how to get tough and are willing to do so. I'm able to be tough when required. When people aren't doing their jobs, you've got

to tell them. But I guess you could say I'm sometimes too compassionate because I have tolerated people who weren't doing the job longer than I should have.

What does corporate governance mean?

Corporate governance is a fancy name for an old concept—it simply means running a company. We at Armco have perceived a vast difference between how we used to govern ourselves to meet the demands of our shareholders and society and how we do it now. We see this as an organic change, not as a revolution.

Like any living thing, a corporation must change to meet new challenges. Incidentally, the first written code of conduct ever published by an American corporation came from Armco.

A year ago, Armco reorganized its top management structure. Why?

I had been chief executive for 14 years, and I found that more and more of my time was taken up with externalities—the Washington scene, international trade matters. I began to have an uncomfortable feeling that maybe I wasn't running the Armco ship as well as it should be run. I was away a great deal. I talked to the board about this for a couple of years, and the directors encouraged me to restructure the company.

How did you do this?

We decided that having a chairman of the board who would be the governance officer, a chief executive officer who would be the boss, and a president who would be the chief operating officer would be the way to run a diversified company that operates in more than 30 different countries.

The board was willing to give it a try; members thought that the plan had a lot of merit. So on May 1, 1979, we split up my job and made a chairman of the board and a chief executive officer. We kept the president as the chief operating officer who now manages all the operations. The chief executive officer is responsible for corporate strategies and development, finance, and human resources. As chairman I sit in on various meetings, try to keep my mouth shut, and see how things are going.

How well is the plan working?

It will work only if the three guys involved want to make it work. That is extremely important, because each of the three has to be willing to get off the other's turf and to keep the lines of communication open.

We think it is working quite well, but we are not crusading for this. We are not saying this is the way other corporations ought to be run. I think it is making the best use of the talent Armco has, but I wouldn't push it on anybody else.

What do you hope to accomplish in your year as chairman of the U. S. Chamber?

I think the most important goal is to stimulate political activity because this is 1980. The state legislatures elected in 1980 will determine how congressional districts are reapportioned in 1981. If we are really concerned about what Congress is going to look like in the 1980s, we have to be sure that we do everything we can to get the right state legislators elected in 1980.

Equally important, however, is the federal election—435 representatives, 34 senators, and the presidency.

Do you think people are getting more involved in the political process?

Business people still do not get themselves involved enough to make the political system work for them and their companies. I am not only talking about Washington. I am talking about grass roots and about local communities, too. There are many cities in Ohio, as an example, that haven't been able to pass a school bond in a long time. What it really takes is a commitment by community leaders to get themselves totally involved and go to work on the things that need to be done in their own communities.

This is something that I think every chamber of commerce in the country ought to be emphasizing—all-out participation in the communities and their activities by business people.

How about Bill Verity? Have you ever thought about running for office?

Well, I have been asked about it, and several groups have approached me. I don't know that I would be very good at it. There are other things that I am interested in doing.



Mr. Verity will likely become a stranger to his Middletown office as he takes over leadership of the U. S. Chamber of Commerce. His goals are to stimulate political involvement of business people and to support rejuvenated foreign trade.

You are not closing the door?

No, I wouldn't close the door, but I think younger people are needed. I think older people like me who have had a lot of experience in certain respects could help interest younger people in running. We need younger people with their different points of view.

Can America survive the type of government we have today?

Of course, we can. We have survived other bad times and when the American people recognize who the villain is, they'll go after it. The real villain is the bureaucracy. It has no responsibility. If we can elect a Congress that understands what has happened and can



To this day, Mrs. Calvin W. Verity remains a little exasperated with her son because he resolutely refuses to wear a watch. Bill Verity visits his mother often at the stately family home in Middletown, but invariably is late.



Like her husband, Peggy Verity is a good tennis player and quite proficient on roller skates. The Veritys also enjoy skiing together with their three children, but especially treasure the peacefulness of an evening at home.

get the ball back from the bureaucracy, I think we could get rid of a lot of this regulatory stupidity that is killing business.

You said in a recent speech that the United States has a Marshall Plan mentality. What do you mean by that?

In the days of the Marshall Plan, America was the strongest nation that the world had ever seen. We had built a tremendously strong economy.

While we were strong, our friends and allies and former enemies all around the world were having a hell of a time. The Marshall Plan was a great thing for a strong country like the United States. Using our resources we helped those countries rebuild themselves.

There isn't any question that it was a highly successful program. We managed to rebuild the economies of Europe and Japan and to help many of the Third World countries get themselves back on their feet. But the world has changed, and it has changed substantially.

In what respects?

We have been living beyond our means now for about 10 years. We no longer have a strong economy that can afford to indulge in all these giveaways, and yet a lot of people think that we still are that strong. They don't understand that the weakened dollar is an indication of the weakness in the economic strength of the United States. They don't seem to realize that when you run a trade deficit for four straight years—it is now at $30 billion—you are not perceived as being particularly strong in international trade.

And yet, this Congress and this President seem to feel that we still are the strongest. We still think we can tell the world how to behave. But we can't, and we are losing trade and friends because we still try to.

Do you think your advocacy of foreign trade, especially with the Soviets, makes you terribly popular in Middletown and Middle America?

Right now, trading with the Soviets doesn't make you very popular anywhere. But people forget that our government created detente. Our government urged us to try to develop trade with the Soviet Union as a bridge to peace. We had been working at it for eight years, and as we began to succeed, along came Afghanistan. Naturally, we at Armco were as upset as anybody else

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about the Soviet invasion. As a result, we told the federal government we were willing to cancel our contract with the Soviets. We are going to be guided by what our government wants us to do.

But remember, trade is always mutually beneficial. That's why it exists. We ought to be trading everywhere we can. The problem is that our government mixes politics with trade, and where do you draw the line?

How can the country export enough to make up for the $60 billion worth of oil it imports each year?

This next year, I'm going to try to explain why we have to find ways to encourage small business as well as big business to learn to export as a means of eliminating the trade deficit.

If we use American ingenuity and the old Yankee Trader concept, we can get a big piece of the world market that we have never had. I think it is going to take four, five, six years to do this. But I can't imagine anything more important to our economy than getting our balance of payments back to equilibrium; we are going to continue to weaken our country until we do.

A bill called the Yankee Trader Export Act of 1980 will soon be introduced in the Senate. What will that act do?

In the past, various senators and representatives have considered individual pieces of the problem in trade—the antitrust part, antiboycott, foreign corrupt practices, disincentives, incentives. There are a lot of people who have ideas about how you should promote trade. All of these have been put together in an omnibus bill that contains all the major initiatives that need to be taken to get the United States up to where our trading partners already are.

Do you think the act will be favorably received?

Congress is beginning to understand that we have lost our trade clout, and maybe that isn't just because we are all stupid, but because of the practices and laws that keep us from being effective.

Now, whether the people in Congress are willing to go for an omnibus bill that may contain some things they don't like is difficult to say.

But I would say that Congress at the moment understands the need for the United States to improve its trading posture. Congress wants to do something about it, and if this bill is handled properly, I think we can get it through. The bill would really facilitate trade in the tradition of the Yankee trader.

Another item on your agenda is the reindustrialization of America.

That's what the Capital Cost Recovery Act would allow us to do. In particular, it would give the steel industry realistic depreciation schedules that would encourage reinvestment. It does what Australia, Canada, and Western Europe already do—everything they can to encourage reinvestment in new technology and plants and equipment.

Australia allows businesses to get their investments back in five years; in some cases, three years. Japan has special tax systems.

So instead of a depreciation life of 18, 20, or 22 years, the bill calls for 10 years for all buildings, five years for all equipment, three for moving equipment, and, I hope, one year for pollution expenditures. It is amazing how that kind of schedule would help a balance sheet.

Our system is capitalistic, and how the government taxes, how it encourages people to invest, is what the system is all about. If the government takes too big a share of the profit and uses it to encourage the consumer to buy, rather than the business to invest, the government will finally erode the foundation of the system. That is what we have been doing.

The problems of capital formation and government control seem to hit steel harder than other industries. Can the steel industry compete?

A lot of people feel that the steel industry cannot compete with foreigners because it hasn't been willing to commit massive funds to rebuilding. That really is only a half-truth.

We at Armco took a good look at ourselves in 1963 and 1964 and decided that we would never be able to compete in the world unless we modernized all our plants. At the time, we thought we could do it for $600 million, which turned out to be way too little.

We had a little open-hearth plant in Sand Springs, Okla., that made reinforcing bars and fence posts. The Japanese were killing us, and we were tempted to shut the plant down, just let them take the market. Instead, our engineers and financial people came up with an idea. Why not install an electric furnace for the continuous caster and see if we couldn't lick the

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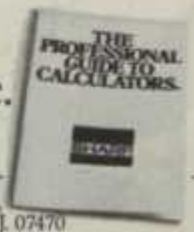
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Our plant in Middletown is as modern and cost-effective as any in the world. It was built in 1911, but there isn't anything left except the land. It was totally modernized in the late 1960s and early 1970s. As a consequence, we can compete with anybody. Our plant in Butler, Pa., is the most cost-effective specialty plant in the world. The Japanese are selling their product at a higher price than we are selling ours.

When did Armco start diversifying?

Actually in 1903. Armco decided then that it couldn't compete with U.S. Steel on basic commodity steel. We had to get into specialties. So Armco went into the electrical steel business. We were the first to go into the enamel steel business for appliances, and we specialized in that. Armco developed the first continuous coating and rolling mills. But the coating mills were a specialty, they were a diversification, they were value added to our product.

We have always tried to specialize, to get a piece of the market that we can dominate. We have been trying to integrate both backwards and forward, and we have been trying to diversify, first in steel products, and beginning in 1969, in other things such as plastics and oil field equipment.

What is your prognosis for the domestic steel industry?

A lot more steel will be produced outside the United States by those countries that have the energy and the ore. They can make the basic steel, which we will buy, bring to this country, and process. That will help solve our energy problem.

I would say there is not much chance that any new steel plants will be built in the United States for some time to come. However, I still believe in the market economy. I think that steel will be in short supply by 1983 or 1984. When something is in short supply, the price goes up. When the price goes up, you make more money. After you have made a little money, you begin to see that maybe this is a pretty good business after all, so you start reinvesting in steel.

I think that by the mid-to-late 1980s the steel industry will be smaller, a lot more profitable, and directed more toward market segmentation. It will be an industry that the country can be proud of.

One of the points you plan to emphasize this year is rearmament. Do you think you will find a receptive audience?

The American people are angry. They wonder why we have to resort to grain embargoes and pulling out of the summer Olympic games. The reason is that we've allowed our defenses to become inadequate. We are no longer strong enough to keep other countries from stepping on us.

What I'm talking about is rearming with conventional weapons so we can



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exercise some influence around the world. The American people aren't prepared to make a judgment on whether we should have the B-1 bomber or a Trident missile; they just know we've allowed our defense establishment to go to pot. They know we need to do something and fast.

How do you feel about the future of the country?

Well, I guess you have to see the future through your children and their friends. And I am encouraged. I think that the young people are interested in preserving the free enterprise system. They want to participate in it, they don't want to see that machine dismantled before they have crack at it. And this is the same whether you were a square when you went through college or the wildest of them all.

I think that young people today have seen what the system has achieved, and they want to be a part of it. They are willing to work hard, and they have very high moral standards. However, I find that their spirit of patriotism is weak, or maybe not even there. I think this is because they have never been tested or tried. They have never had to rally around the flag. I think that when they have to, they will.

Was there any individual who influenced your life more than others?

My grandfather was the most influential. He stood for the things I stand for and value. He could articulate them well and often did. I used to go horseback riding with him about three times a week.

Another influence was Abraham Lincoln. As a boy I had his picture over my bed, and I collected books on Lincoln. That was what led to my interest in the Ford Theater. I have been chairmen of the Ford Theater Foundation trustees for years.

You once shot a hole in one, but it was somewhat embarrassing.

It was the most embarrassing hole in one that a fellow could get. Every year at our general management meeting, about 115 people come in from all over the world, and we have a golf tournament. That particular year, the planners came up with the idea of a $500 prize for a hole in one.

Can you imagine a worse time for me to get a hole in one with all of Armco's management there? "Now we know what the hell you do," they kidded me.

Of course you took the $500?

The pro told the guys planning the meeting that there was no way anyone could get a hole in one on that hole so they didn't fund for it. I never got the $500, but I didn't care—I had my hole in one.

What was your most valuable learning experience?

Handling labor relations at Ashland and here at Middletown taught me a lot about what the employees thought. At the Hapsburg House I learned a lot about people, too—when the Germans invaded France and the Italians came in on the side of the Germans, I had a work force of an Italian maitre d', German waiters, and a Frenchman in the kitchen. But the Navy taught me the single most important thing.

And what was that?

That I wasn't always right. □

To order reprints of this article, see page 66.



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Is the Bottle Bill Solution Going Flat?

DOWN WITH THE throwaway society . . . that was the rallying cry of environmental crusaders in the 1960s. Their grail was a clean earth free from bad air, dirty water, and human litter. One of their methods was the bottle bill—a legislative proposal that required deposits on glass and metal beverage containers to discourage people from pitching them everywhere.

The bottle bill bandwagon was rolling right along by the early 1970s when Oregon enacted its pioneering five-cent deposit. But by 1979, 32 states, including Ohio and Washington, had rejected bottle bill legislation, and today only six states have effective mandatory returnable container laws, while nine have some version of litter control or recycling statutes.

What happened? The answer has many facets, from the side effects of bottle bills on employment, energy, and industry costs to the commercial attractiveness of recycling to the public acceptance of throwaways.

Supporters of the bottle bills believe that they reduce litter, conserve energy, and result in lower prices for beer and soft drinks. Rafe Pomerance, legislative director of Friends of the Earth, Washington, D. C., says: "Bottle bills



have worked in those states in which the laws have been enacted. They have succeeded in getting up to 80 percent of the bottles and cans off the ground."

Very much alive

Sandra Nelson, coordinator for the National Clearinghouse on Deposit Legislation, a project of Environmental Action in Washington, D. C., takes umbrage at the suggestion that bottle bills are passé.

"The issue is not dead; it's very much alive," she says.

"Six statewide coalition groups were formed in the past year. Citizen groups in Ohio and Washington spent a year and a half collecting signatures to put the issue on the ballot. They are very bitter about their defeat last November, but they are willing to go back to the ballot in 1982. Three or four other states will probably do the same thing."

Opponents of bottle bills argue that they have done little to lick the litter problem and contribute to the current energy squeeze. Also, alternative approaches such as recycling and the Keep America Beautiful campaign, which aims at making littering socially unacceptable, are more effective, they argue.

Solving the whole problem

"We favor a litter-recycling law," says Albert Barr, public relations director of the Glass Packaging Institute, Washington, D. C. "We're against mandatory deposit legislation. Bottles are an added cost to business; recycling is an investment.

"We realize that bottle bills reduce the beverage container segment of litter, but beverage containers comprise roughly 25 percent of total litter. We think it makes more sense to enact legislation for the whole problem—not just the beverage container segment. That is what the litter-recycling law does.

"This kind of law provides for an assessment on all industries whose products are reasonably associated with litter," says Mr. Barr.

"That assessment usually costs an industry about $150 in tax per $1 million in gross sales. In terms of consumer impact, the cost amounts to fractions of a cent."

The cost was not really considered in the early 1970s, when throwaway containers and other trash polka-dotted urban streets and country highways. Bottle bills, readily accepted by environmentalists and the public, seemed the quickest and least painful way to get rid of the ugliness of litter.

Two neighboring states—Oregon and Washington—took differing tacks in their efforts to clean up the environment.

In 1972, Oregon pioneered a container deposit law that required five cents deposit on refillable glass containers and two cents on other bottles. Washington opted for a litter-recycling law that included public education.

> Thirty-two states have rejected mandatory deposits, while others have opted for recycling and litter control

Five years later, the Institute for Applied Research, Sacramento, Calif., studied the two state programs. It found:

- Washington's program was significantly more effective; the state was 52 percent cleaner in urban areas, compared to Oregon, and 17 percent cleaner in rural areas.
- Washington had less additional overall litter, while nonbeverage container litter increased in Oregon.
- Washington property owners cleaned up litter more frequently than their neighbors in Oregon.
- Washington had 39 percent less broken-bottle litter. Interestingly, two thirds of Oregon's broken-bottle litter was from two-cent returnable beer bottles, with the balance split between out-of-state beer and soft drink bottles and juice, wine, or liquor containers. In both states, highway cleanup crews appeared to be missing much of the broken glass in rural roadside locations. The reason is simply that such crews generally pick up the big pieces of litter, not bits of broken glass.
- The one area in which Oregon was superior was in frequency of cleanup along state highways and urban freeways, but this was attributed mostly to the money spent on cleanup.

R. G. Kennedy, president of the Oregon AFL-CIO, is not reticent about what he thinks of Oregon's law. His organization "is totally and unequivocally opposed" to this type of legislation. "The Oregon experience proves that bottle bill legislation is not a meaningful answer to the litter or solid waste problems here or elsewhere," he says.

If bottle bills are not the ultimate solution to the continuing problem of litter, what is? One alternative was tried out in three southern cities. The program enlisted the support of community groups and leaders in an educational campaign to make littering socially unacceptable. While promoting community cleanup and encouraging recycling, the program was designed to give litterers a black eye.

Another Institute for Applied Research study was conducted in three cities: Tampa, Fla.; Macon, Ga.; and Charlotte, N. C. Their efforts were measured against a control group of comparable cities in the same states: Jacksonville, Savannah, and Winston-Salem.

Warnings and fines

The results of the study include the following facts:

- Tampa, Macon, and Charlotte reduced litter by 54 percent on residential streets when compared with the control group.
- Accumulated litter rates were down 47 percent on major downtown streets and 11 percent on minor commercial streets.
- Tampa and Macon, which issued warning notices and then levied fines for litter law violations, reduced litter 2.5 times more than Charlotte, which only issued warning notices.

The study drew two tentative conclusions: First, educational and public involvement can reduce accumulated litter rates by 20 percent in urban areas. Second, if enforcement is added in the form of citations and fines, litter reduction rates will climb from 40 to 50 percent.

More recent findings from the institute show that while bottle legislation does reduce bottle litter, it has a mini-

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mal effect on the total amount of litter. A two-year before-and-after study of 99 locations in Michigan was conducted for the state legislature from 1978 to 1979. Unlike previous studies that included only rural areas, almost three fourths of the locations were urban or recreational.

Beer and soft drink container litter was reduced by 87 to 93 percent, the study concluded. Other beverage litter such as pull tabs and bottle caps decreased by up to 79 percent. However, the total amount of litter dropped by only four percent.

Guaranteed recycling

Both environmentalists and opponents of bottle bills favor recycling, if for different reasons and in different ways.

"My sympathies originally lay with a national proposal to require deposits on containers," says Rep. Morris K. Udall (D.-Ariz.). "But the more I study the problem, the more convinced I am of the need for a comprehensive approach—a solution that will guarantee the recycling of all paper, all metals, and all glass."

Rep. Udall's home state has set a good example. The Arizona beverage industry recycling program has collected more than 139 million pounds of cans, bottles, and newspapers in eight years and has paid consumers more than $10 million.

Because of its litter-recycling law, the state of Washington probably has the largest multi-recycling program in the country. According to a report issued by the state's department of ecology, the total value of recycling is about $90 million a year.

Blakeman Early, Washington representative of the Sierra Club, adds: "Recycling of beverage containers makes more sense to the average American today than it ever did before, mainly because energy and materials are less available."

Loss of business

In states with deposit laws, however, it's a different story. The recycling business in metropolitan Detroit has been devastated by the state's deposit law, which took effect in late 1978. Most smaller area recycling centers are experiencing a severe loss of business because bottles and cans are being returned to stores. Other centers are not complaining; they have simply closed.

Another effect of mandatory deposit laws is an increase in fuel costs, according to opponents of bottle bills. To prove that point, the Can Manufacturers Institute, Washington, D. C., looked at fuel consumption by soft-drink distributors and beer wholesalers in Michigan.

Comparing fuel consumption for the first three months of 1979 with the same period in 1978, the study found an increase of 25 percent for beer and 32 percent for soft-drink distributors—a difference of 4.4 million gallons of fuel. The equivalent in regular gasoline would add 15,000 miles per year for 6,820 passenger cars.

Struck by the differences in litter laws between Oregon and Washington, Pacific Coca-Cola Bottling Co. in Bellevue compared its operations in both states and found a dramatic doubling of fuel consumption in Oregon in 1978. Distribution required about 47 gallons of fuel per 1,000 cases sold in Washington, a figure which jumped to 94.9 gallons in Oregon.

Other consequences

In addition to fuel costs, there is the increased use of water needed to wash returnable glass bottles. In an ongoing study for the Continental Can Co., the Midwest Research Institute, Kansas City, Mo., found that returnable bottles require five times more water than cans in beverage-filling operations—20 gallons of water for a case of returnables compared with four gallons for one-use cans.

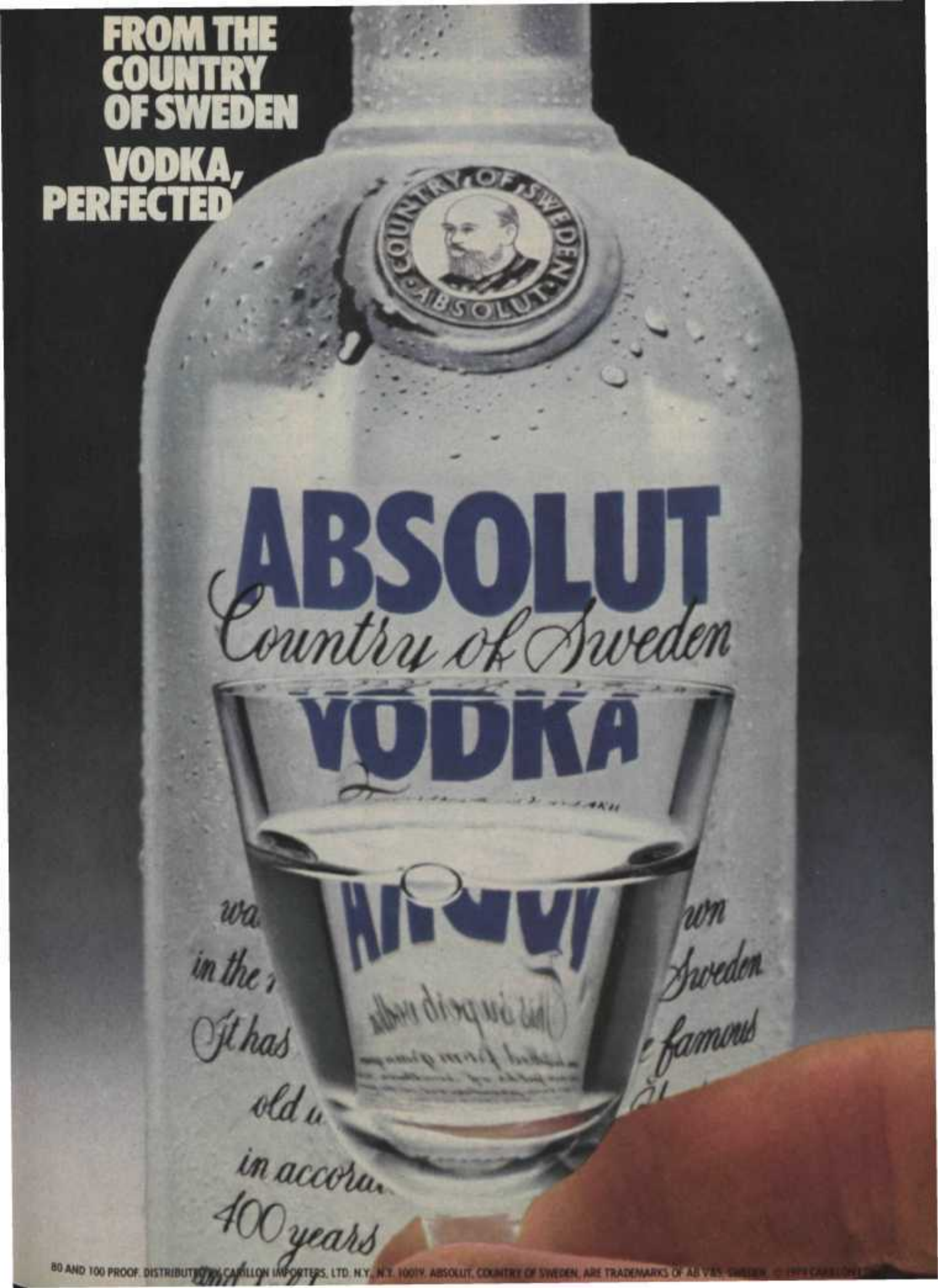
"Too often conservation measures aimed at one resource have an opposite effect with regard to other resources," says the institute. "This situation exists for many industries, processes, and products. Conservation methods aimed at any public or private activity need to consider their impact on other resources as well."

Environmentalists say, however, that bottle bills result in substantial savings of energy.

"Every nationwide study on the energy impact of deposit legislation shows substantial savings," says Sandra Nelson at Environmental Action.

"Industry is taking the transportation and fuel cost argument out of context," she says. "Other energy savings occur in the production of throwaway containers. For example, when you recycle an aluminum can, you save 95 percent of the energy it takes to make the can from virgin materials."

As for the argument that more trucks are needed to pick up empty containers, Ms. Nelson says that "the idea all along was to have the trucks


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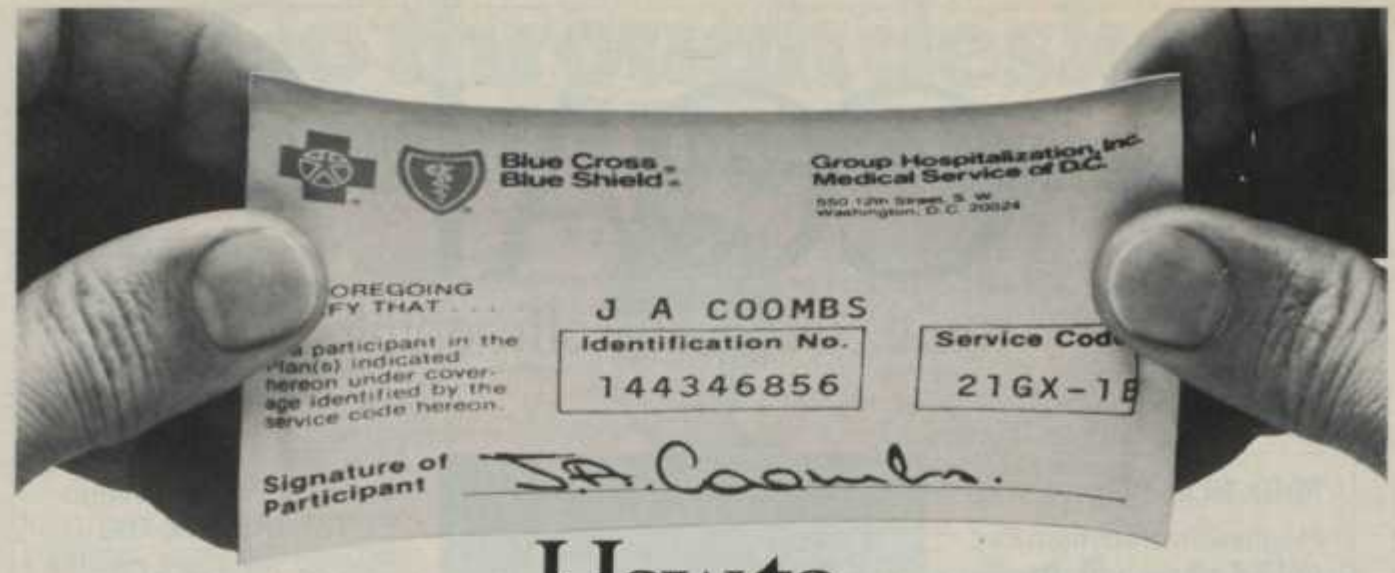


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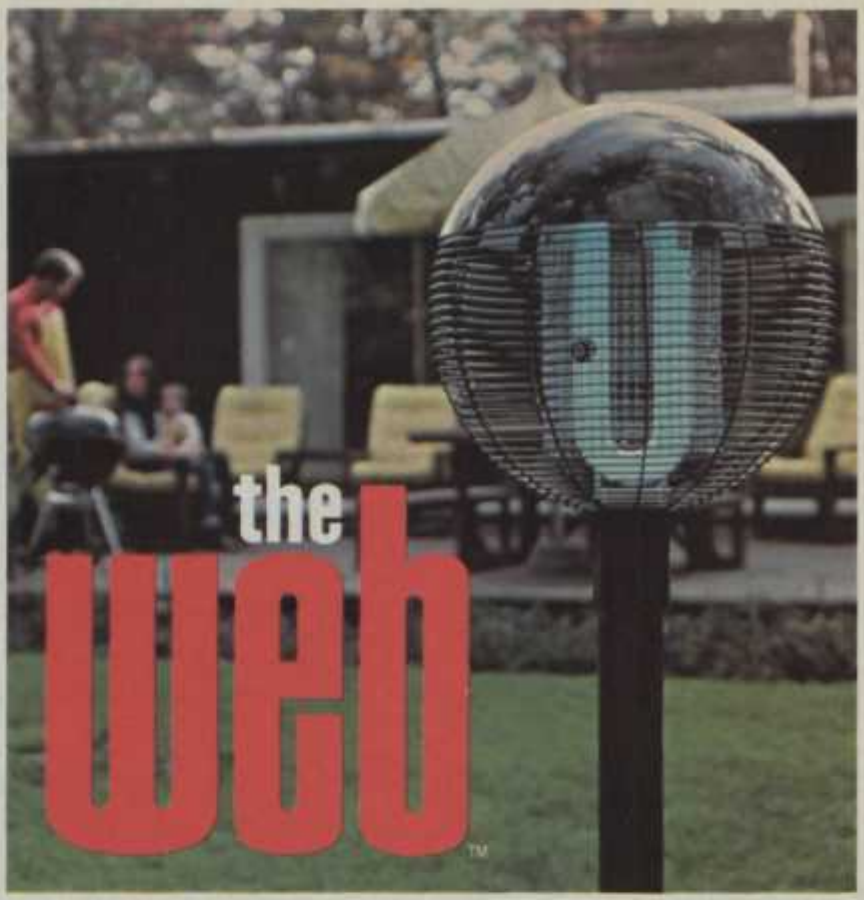
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make a return trip with the empty containers so that they can be recycled or reused.

"As far as the cost of gas is concerned," she adds, "what about all the gas we use in hauling beverage containers to the landfill?"

More expensive beer

While environmentalists argue that bottle bills will bring down prices of beverages, the opposite effect is seen in many states.

Comparing beer and soft-drink prices in the same grocery store chain, a study by the Can Manufacturers Institute found that Oregon prices ranged from four to 22 percent higher than those in Washington. In Oregon, soft drink and beer prices climbed from 12 to 17 percent, depending on the brand, compared with a national average of one percent.

In Michigan, the largest and most populated bottle law state, consumers are paying an average of 36 cents more per six-pack of soft drinks and 30 cents more per six-pack of beer than their neighbors in Wisconsin, Indiana, and Ohio.

In Maine, whose deposit law went into effect in 1978, the price of a six-pack of beer increased from $1.80 to $2.20, plus 30 cents for deposit.

In Vermont, another deposit law state, soft drinks increased from 20 cents to 40 cents a case, and beer by 60 cents a case, plus another $1.20 per case for deposit.

Returnables create problems

Supermarkets report higher costs in handling returnable bottles because of sanitation problems and increased labor.

"In states with returnable bottle laws, sanitation can be a real problem," says Felicia del Campo, manager of the corporate public relations section of Safeway Stores, Inc., Oakland, Calif.

"Retailers must accept bottles that have beverage residue in them, extra backroom storage space must be made available, and the grocer's handling fee does not always cover the handling cost."

William J. Vitulli, director of trade relations for the Great Atlantic & Pacific Tea Co., Inc., Montvale, N. J., says that "sanitation costs have just about doubled as a result of the mandatory deposit bill."

Mr. Vitulli quotes from *The Grocers' Spotlight*, a trade publication covering the Midwest: "Almost every retailer contacted reports a doubling of sanitation costs in an effort to reduce pests. Insects thrive on the sugary drippings left in soft drink containers and the yeasty brew found in many empty beer containers."



Returnable bottles and recyclable cans often create an unsightly and unsanitary mess at retail collection points.

"There has to be a better way of handling the bottles," Mr. Vitulli says.

In Washington, D. C., Barry Scher, director of public affairs at Giant Food, Inc., says: "Bottle bill legislation has not forced us to hire more people, but it has cost us additional expenses in scheduling staff hours."

Giant Food has 21 stores in Fairfax County, Va., which has a mandatory deposit ordinance. Mr. Scher says a cost analysis showed that the ordinance resulted in 74 additional staff hours per store; that time multiplied by the average rate of $9.50 per hour equals $707 per week, per store, of additional payroll expenses. That figure for 21 stores equals $14,847 per week or $772,044 per year in added payroll expense for handling, sorting, and transporting bottles in Fairfax County.

"Better to have a little organized chaos in the stores," comments Mr. Pomerance of Friends of the Earth. "Mandatory deposit laws do cause changes, to be sure.

"But the cost of selling and returning bottles must be offset against the cost of litter to society."

Lost jobs

Then there is the matter of jobs. The Commerce Department estimates that tens of thousands of skilled and semi-skilled jobs in the can and glass manufacturing industries would be lost if the nation adopted a national beverage container law similar to those of some states. The average wage for these lost jobs is $17,000 a year, plus benefits.

At the same time, Commerce points out that tens of thousands of jobs would be created—mostly unskilled positions such as bottle handlers and sorters—which would pay about the minimum wage of $3.10 an hour.

However, when vetoing a deposit bill last July, Massachusetts Gov. Edward King cited the potential loss of as many as 900 jobs. The legislature failed to override the veto.

Despite the disadvantages of mandatory deposit laws, a good proportion of the American public has not lost its fondness for banning disposables.

For example, a survey taken by the Roper Organization, Inc., in 1978 asked consumers if they favored: 1. Increasing the cost of no-return, no-deposit containers to discourage use; 2. Banning disposable containers by law; or 3. Putting up with pollution problems. The results were:

18%—in favor of increasing cost
50%—in favor of banning disposable containers
17%—in favor of putting up with pollution
15%—don't know.

More recently, a poll taken by a nonprofit coalition of 15 organizations in Fairfax County asked consumers their opinion of beverage container laws in general.

Favored in Fairfax

Both Fairfax County residents and those who live in neighboring counties that do not have bottle laws were interviewed.

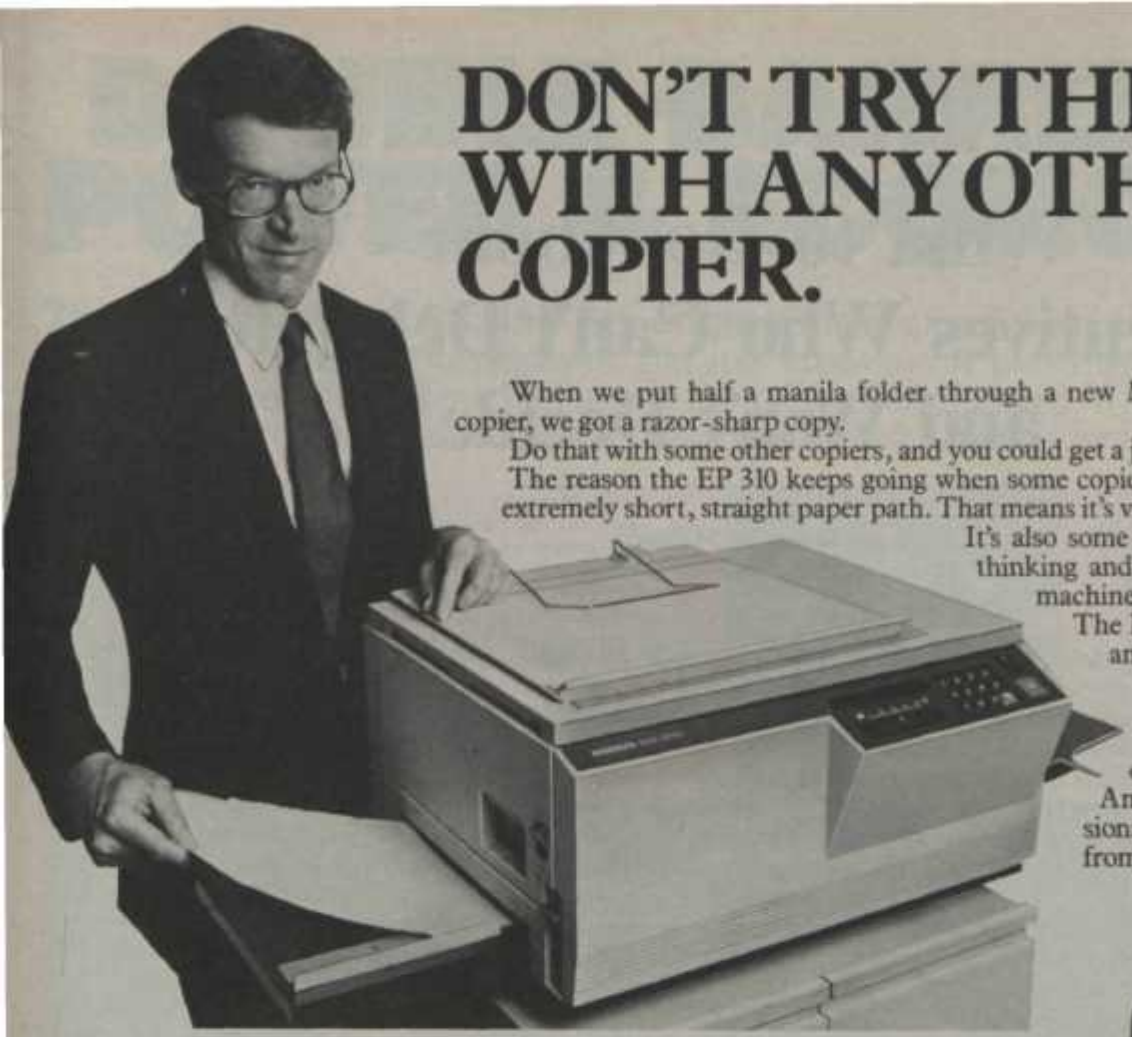
Of the 225 Fairfax County residents interviewed, 146, or 65 percent, said they supported beverage container laws and only 53, or 24 percent, opposed them.

Of the 63 nonresidents interviewed, 52 percent were in favor of the laws, and 13 percent opposed.

"Aluminum cans are worth a penny apiece to the recycling industry," says Robert Stuart, chairman of the National Can Corp., Chicago. "But it doesn't make sense to use a deposit to try to force people to take back every can and bottle to the store. I happen to be one of those who does recycle, but coercion is not the answer. Antilitter laws, recycling programs, educational efforts—these make sense, both in terms of free market economics and in view of human nature." □

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What to Do About Executives Who Can't Delegate and Won't Decide

By Robert N. McMurry

KNOW THYSELF, urged Aristotle, but accurate and complete self-insight, especially among senior executives, is a rare quality. Consider the case of Ronald Jennings, head of a division of a big manufacturing company in New York City. He is hearing the results of a recent assessment of his performance.

"Our findings, Mr. Jennings, indicate that you have superior intelligence, are technically very competent in your job, and overall a dedicated, compulsively hardworking executive," said his evaluator.

"On the other hand, you seem to experience some difficulty in delegating authority to your subordinates. You not only take a very active role in defining their goals and objectives, but also you make it clear precisely how, when, and where your people are to achieve these objectives.

"Furthermore, anything that represents even a slight deviation from established practice must first be cleared with you. You tend to overstructure and constrain the autonomy and freedom to act of those who report to you. You permit them very little independence, flexibility, and decision-making. This stifles their creativity and inhibits their growth."

Mr. Jennings's response was immediate: He exploded. He agreed entirely with the first part of the assessment but declared: "I regard my skills as a delegator as one of my greatest strengths as a leader. I am the laziest man in my entire enterprise. I have always surrounded myself with strong, competent subordinates to whom I delegate a maximum amount of authority, consistent, of course, with their capabilities."

"Why then," queried the evaluator, "do you require that Les Richards, your plant manager in Minneapolis, confer with you weekly to clear all of his activities on a routine basis?"

A typical problem is lack of accurate insight coupled with false self-assessment

Mr. Jennings replied: "This regular review is absolutely essential. In my estimation, Richards is little more than a novice. He needs weekly guidance and support from me. He has been in this position for only seven years."

This hypothetical scenario demonstrates a typical problem of many business executives—their almost complete lack of accurate insight into their own makeups, needs, and motivations.

This flaw is amplified by the fact that each is convinced he has comprehensive and completely valid insights into his strengths and weaknesses. When questioned, the typical executive will reply: "One of my greatest strengths is that I know myself. Because of these insights, I reach my goals effectively, and my major decisions are completely rational and logical. This is why I see myself as homo sapiens, the reasoning man."

In reality, nothing could be further from the truth. No one can be wholly honest and objective about himself. Everyone has a self-image, and most self-images are flattering.

In many instances, as with Mr. Jennings, the characteristics that a person regards as his greatest strengths are really his greatest weaknesses. They are typical of the person who doth protest too much, who tells everyone how honest or great he is. The fallacy of such self-assessment is apparent to everyone but him.

An important influence in shaping these self-images is role expectation. For example, the popular stereotype of the executive is strong, decisive, and self-confident. Many managers assume that because they occupy a supervisory role they must be correspondingly strong, decisive, and self-confident. But recent studies indicate that 75 percent of the population is notably passive, dependent, and submissive. Included among those people are many victims of the Peter Principle: They have reached their first level of incompetence.

To conceal their limitations from others as well as from themselves, these executives often develop various neurotic defense mechanisms. In many cases, they seek to avoid situations where they will be called upon to make decisions, take risks, or exhibit self-confidence. Typically, these executives will:

- Take flight into detail. If the executive is much too busy to consider the problem, perhaps it will dry up and blow away after a while.
- Counsel indefinite delay of action. By saying "we must crawl before we

MR. MCMURRY *is the president of the McMurry Co., a Chicago consulting firm involved in market research and executive recruiting. He received his doctorate in psychology from the University of Vienna and is the author of* The Maverick Executive.

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walk and walk before we run" and "haste makes waste," the executive hopes that conditions may change and eliminate the problem.

- Delegate the problem to a committee. The executive knows that committees usually take a long time to make a report and can be blamed if anything goes wrong.
- Delegate the problem to a subordinate. The executive practices democratic, participatory management and hopes the subordinate can come up with a workable solution. If he cannot, he provides a convenient scapegoat.
- Call in the experts. If the recommendations from the consultant, the accountant, or lawyer prove wrong, he can be made the scapegoat.
- Have a study made to get the facts. Most such studies require at least six months to complete and also provide convenient scapegoats.
- Look for the answers in the book. If there is no answer according to the book, no action can be taken.
- Induce the boss to handle the problem. A variation is to push the problem into someone else's jurisdiction. If kicked around long enough, the problem will either be solved or disappear. If the solution is wrong, the responsibility will lie elsewhere.
- Answer in double talk. The executive says decisively: "If this is true, we do this, except that under this or that circumstance, we do the opposite." If enough obfuscation can be created, perhaps the problem will be forgotten or will solve itself.
- Concentrate on establishing priorities. The executive says: "It is not fair to give any one problem precedence." By the time the problem is reached, perhaps the whole issue will have been forgotten, or the problem will have been solved by someone else.
- Arrange to be out of town or at a meeting. Many crises will resolve themselves while the executive attends one meeting after another. Some executives are so busy with trivia that their frenetic activities resemble the mindless gyrations of a beheaded hen.
- Deny that the problem exists. Insist that the issue is unimportant or that it was settled long ago.
- Become ill. Some executives develop an incapacitating psychogenic ailment such as ulcers, allergies, hypertension, colitis, nervous stomach, insomnia, chronic debilitation, or lassitude. The doctor will prescribe a long rest or freedom from stress or strain.
- Drink more martinis. After a few drinks, most problems become less threatening and are easier to solve, although the solutions found in the bottle are not always the best.
- Walk out on the problem. The executive simply puts on his hat and goes home. Someone will find a solution somehow.

These self-reinforcing actions can be very costly to the executive personally and to the enterprise with which he is associated. They often lead him to be

Someone will find a solution somehow

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misplaced in his job, to be dissatisfied with his performance, or to fail outright. Of even greater concern, these actions tend to conceal and perpetuate his inadequacies on the job. And that eventually weakens the whole enterprise. Insecure executives cannot tolerate strong subordinates. Hence, they discourage the employment and retention of competent staff.

What can be done with such supervisors, managers, and executives? How can they be given more accurate pictures of themselves? Can much be accomplished by pointing out, as in the case of Mr. Jennings, that their insights are false?

Unfortunately, no. Despite all the evidence, Mr. Jennings's image of himself will not be significantly changed. To admit to himself that he cannot delegate responsibility to others will unbalance his often fragile emotional homeostatis. Such an imbalance can lead to marked anxiety and further indecisiveness.

Obviously, a long series of sessions on a psychiatrist's couch might help Mr. Jennings, but because of time, cost, and patient resistance, such therapy is rarely practical in cases such as his. Counseling may help somewhat, but the most realistic approach is not to attempt to correct a person's image of himself, but to ascertain through comprehensive in-depth assessment:

1. Which of his attributes, as he is now constituted, are advantageous to him and his job where he is presently assigned?

2. Which of his attributes are actually or potentially detrimental to him or to his employer in his current job or at higher levels?

3. How can his duties be restructured to maximize his manifest vocational assets and minimize his weaknesses?

Mismanagers can be kicked upstairs

If a person's duties cannot be altered to adapt his job to him, little remains but to take him or her out of the position. Demotion, even termination, can be done in easy stages, without acute loss of face by cutting back on the executive's responsibilities, shifting him from line to staff responsibilities, making him a consultant, or giving him a long separation allowance and outplacement counseling.

The practical solution is to recognize that the executive is misplaced. In Mr. Jennings's case, for example, observation of him in action shows that he will never be able to delegate authority. The more this limitation is brought to his attention, the more acute the problem will become. On the other hand, he possesses a great deal of technical expertise. In his case, the solution is to relocate him by kicking him upstairs to a prestigious staff job—assistant to the chairman for research and development—where he will have little need to delegate.

Mr. Jennings may sense that he is being downgraded, but he loses no face, usually takes no reduction in earnings, and is relieved of the necessity of making decisions. He becomes more relaxed, and his expertise is salvaged. Everybody, including the company, wins. □

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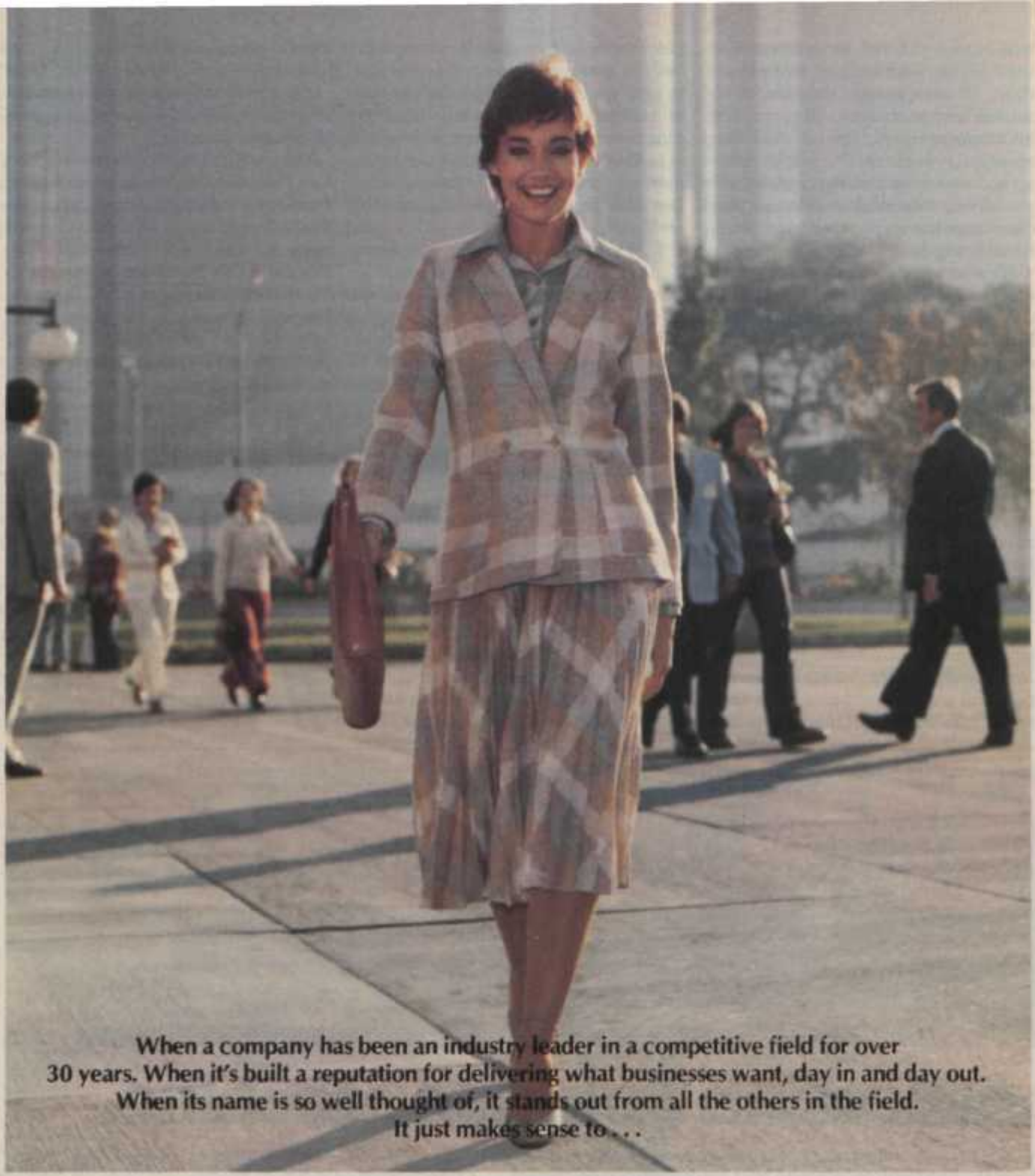
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Marriage and a Career

No Easy Choices and a Good Chance of Divorce

By Mary Tuthill

PHOTO: SUSAN BOWSER ASSOCIATES



Julie McCahill manages to strike a good balance between her work for the Mead Corp. and the needs of her family.

PHOTO: SUPERPHOTOGRAPHY



Bee Marks travels a lot more for Botsford Ketchum and works longer hours now that her children are grown.



Von Nash, in addition to running her own business and caring for her family, is active in church and civic groups.

GONE ARE THE DAYS when women had to choose between a career or marriage and a family—or are they?

A recent study by the executive search firm of Heidrick and Struggles, Inc., Chicago, Ill., concludes that, although the highest paid women in business enjoy their work more, they also are more likely to divorce.

The firm's profile of a woman corporate officer finds that women earning more than $50,000 spend 51 or more hours a week on company business, compared with the 41 to 50 hours spent by those in less well-paying jobs. And one in four in the $50,000 salary bracket considers work and pleasure to be the same, in contrast to just 12 percent of those in lower salary ranges.

About two thirds of the highest-paid women have been married—the same proportion as women officers overall. But among the top earners, half again as many are likely to be divorced, the study shows. The number of women now widowed, divorced, or separated has risen from 33 to 35 percent within the past year.

Vice president and mother

With the overall divorce rate showing a slight decline, what do these statistics mean? Are women finding out that at some point they may still have to choose between marriage and a career?

A twice-divorced vice president of a national corporation and mother of three still believes that the two can be combined, but admits that it is far from easy. Nor does she think her career was a cause of her divorces. However, she recalls that once she chose to work in a city in which her husband refused to live. "It certainly didn't cause the divorce," she says, "but I guess it didn't help, either."

She doubts very much that she will marry again. She works long hours, travels frequently, and spends as much time as possible with the one son who is still living at home.

"And," she adds, "when you get past middle age and reach my job level, there are very few suitable men around."

Rosemary Mazon, vice president for corporate affairs for Pullman, Inc., in Chicago, never married and doesn't regret it. "I came close a few times," she

says, "but, looking at the marriages of friends, I decided that there is no completely tranquil relationship. I didn't think I could handle both that and my work."

Mercedes A. Bates, a vice president at General Mills, Inc., in Minneapolis, is also among the one third of the top earners in the study who never married. She once traveled a lot, but now travels only six or eight times a year.

Did she choose her career over marriage? "I don't think my career ruled it out," she says, "but it hasn't helped."

Ms. Bates enjoys her work as much as her leisure time, and that attitude is typical, according to the Heidrick and Struggles study. "Nearly three of four women officers state that work and pleasure are one or that work affords above average pleasure."

The study adds that "those who derive equal enjoyment from labor and leisure are more likely to be widowed, divorced, or separated, over 40, college graduates, and from upper middle-class or wealthy backgrounds."

Brenda Gore is younger, the divorced mother of an eight-year-old son, and the manager of legislative affairs in Washington, D. C., for the LTV Corp.

Her long hours include many evening functions and travel. But, she says, her career had nothing to do with her divorce, "and it would not have any bearing on future marriage."

Both her family and her ex-husband live nearby and help with the care of her child.

Still, she says, "I guess all working mothers have this guilt trip over not being home to help with homework and that sort of thing."

Julie McCahill, Washington representative for the Mead Corp., Dayton, Ohio, manages to juggle her career along with being a wife and mother of a seven-year-old daughter.

Her career is very important to her, but she and her husband wanted a child. "I worked until seven the night my daughter was born, and three days later I was working again, but at home for a while."

Both she and her attorney husband put in long hours and much travel. "Our paths sometimes cross in airports," she says. But they try not to be out of town on business at the same time. And they do not plan to have more children.

"I have these guilt feelings because I don't do all the things my mother did," she says. "Sometimes I think, how would I feel if my child were hit by a car and I was in Chicago?"

Despite the day-to-day problems, Mrs. McCahill says, "I think a job probably helps a marriage."

But there were some bad years when her husband had a more time-consuming job as an attorney working on the Watergate lawsuits. Looking back, she says, "I'd rather have my husband involved with another woman than with the White House.

"Having a job you like gives you a different view of marriage," Mrs. McCahill adds. "It gives you an alternative. If you've been sharing the load equally, the prospect of a divorce is not as severe as it is for someone who doesn't have that choice."

A woman who wishes to remain anonymous faced a more difficult choice before her career began. Now the legislative representative in Washington for a national corporation, whose two daughters are in their 20s, she says it was a career decision that broke up her marriage. "He just couldn't handle it."

At the time of her marriage she was in law school, and she continued her schooling while raising two little girls. But by her last year of school, it became obvious that her husband didn't want her to practice and become independent of him.

He said he had hoped that having children would make her change her mind and want to stay at home. When that didn't work, he began to drink, and she chose divorce.



Rosemary Mazon moved to within seven minutes of her office to allow more time for work at Pullman, Inc., Chicago.



Brenda Gore (far left) spends a lot of time on Capitol Hill because of her job with LTV Corp. Here she meets with Rep. Joseph Addabbo (D.-N. Y.), chairman of the House defense appropriations subcommittee (right center).

With more women making it into top positions at younger ages—33 percent are now under 40, compared with 28 percent last year—she says business should make it easier for women to take short leaves to have children without seriously interrupting their careers.

Her 20-year-old children make her a typical executive mother, according to Heidrick and Struggles. "A majority of the mothers have no child younger than 20, more than eight of 10 have no offspring under age 13, . . . about 11 percent have preschool children," the study says.

Sorting out the roles

Karen Winterbottom, director of communications for the International Snowmobile Industry Association in Washington, D. C., shares the responsibility of the home and two sons with her husband. "Life is a breeze now compared to what it was when I had a baby, my husband was in Vietnam, and I was going to graduate school."

But marital stability didn't happen overnight. "After my husband came back and went to work, we had some bad years getting our roles sorted out," says Mrs. Winterbottom. "I had worked too much and had too much education to just put on an apron and stay home."

Mrs. Winterbottom doesn't feel guilty about working long hours. "The whole family benefits from broadened horizons," she says.

"The added income helps us to do many things we couldn't otherwise do. After all, it's loving and caring that count with your family, and you can do that and work, too."

Liberated mother

Bee Marks's mother managed that a good many years ago. Mrs. Marks is now vice president and director of consumer and public relations for Botsford Ketchum Co., Inc., in San Francisco, the mother of five children, and divorced.

"My mother was a liberated woman," she says. "She opened her own dress shop when I was three years old. That was in a small mining town where money was not plentiful, so I grew up knowing I would have to leave home and support myself."

While she now works 12-hour days and travels a good bit, Mrs. Marks used to take work home when her children were small. She, too, says the breakup of her marriage had nothing to do with her work. She didn't put her career ahead of husband and family. "I gave up a job once to help him with his career," she says.

Von Nash is another divorced mother who doesn't blame her career for the divorce. Now owner and president of Daisy Distributing Co. and Von Nash Co. in Austin, Texas, she has three children, the youngest of whom is 16. "My working outside the home probably kept our marriage together during many of its 15 years. Working kept me a more interesting person."

For the past 10 years, she has worked up to 70 hours a week to build her cosmetics business, but still manages to make time for her children. She travels and lectures extensively and says she enjoys her work as much as her vacations. But, she adds, she would marry again if she found a man who understood the importance of her career.

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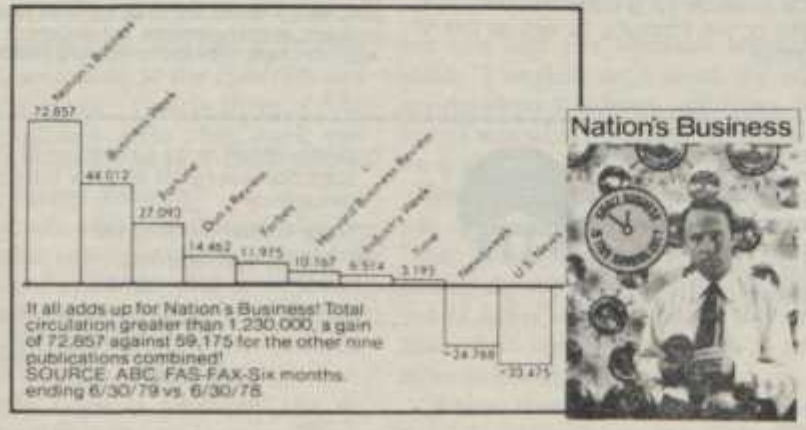
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important personal issues are managing stress, managing time, and—especially for parents—managing guilt."

Brenda Eddy, vice president of Transcentury Corp., says: "I switch off responsibilities with my husband. When two people are traveling, have after-work receptions, and 1 a.m. meetings, it's an ongoing saga of who's going to do what and when.

"In some ways it's a lot more relaxing than just having a family or a career. You can't become a workaholic or get intensely wrapped up in your husband and kids."

"Having a job you like gives you a different view of marriage. It gives you an alternative. The prospect of a divorce is not so severe."

Although the divorce rate among successful career women is rising, talking with the women in the Heidrick and Struggles study leaves the impression that it takes more than a woman's career to break up a marriage. However, a woman with a career is far better equipped to survive such a breakup.

Some younger women are trying less conventional approaches to the marriage-career combination. Recognizing that it is difficult at best to have a career, husband, and children all at the same time, some women are resorting to marriage contracts, both legal and informal, which spell out the ground rules—who owns what, who will do what household tasks, who stays home with sick children, who will relocate and under what circumstances, and other domestic questions.

Anne Haulsee, who has her own consulting business and a marriage contract, says: "I kept my own name. I'm never in the least bit concerned about his laundry or his food. I live in a condominium that takes an hour and a half to clean.

"I feel it's important to have our relationship clearly defined because my career is so important to me. I don't plan to have children.

"You can't really place all your hopes in a personal relationship because that can change. My career is essential to me—I can do with or without a husband." □

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Citizens Find Inflation Worse Than Reported

MANY EXPERTS believe that the consumer price index overstates inflation, which rose 13.3 percent in 1979, but many average consumers disagree.

This finding is from the latest quarterly consumer opinion survey conducted for the U.S. Chamber Survey Center by the Gallup Organization.

On the basis of their own experience in their own communities, 40 percent of consumers believe the government's estimate of consumer price increases understates inflation. Thirty-eight percent feel the government estimate of inflation is about right, and nine percent say it overstates inflation. Fourteen percent were undecided.

Can't keep pace

Fifty-seven percent of the 1,583 consumers personally interviewed nationwide expect their incomes to go up less than prices during the next 12 months. This contrasts with only nine percent who expect their incomes to rise more than prices.

More than three out of five consumers—62 percent—say that now is a rather bad time to spend money. Only 21 percent say that they are "in a good position to buy some of the things [they] would like to have."

These proportions are not greatly changed from the previous quarterly survey in December. However, 45 percent say they are financially worse off now than they were a year ago, up from 31 percent since March, 1979.

Opinions on Federal Policies
(percent of respondents)

	Constitutional Amendment to Balance Budget		Index Federal Income Tax Rates		Limit Indexed Government Payments to Increases in Wages	
	Favor	Oppose	Favor	Oppose	Favor	Oppose
Consumers	67‡	13‡	61	16	50	27
Business Executives*	72	23	72	19	76	10

* Source: Chamber-Gallup Quarterly Business Confidence Survey, January-February 1980. (The questions in the two surveys were worded slightly differently. See NATION'S BUSINESS, April, 1980.)
‡ Source: Gallup Poll.

Almost half of the respondents would opt to slow down federal government spending and reduce the budget deficit as a way to combat inflation. The question was:

"Looking to the future, which would be a more effective way to reduce inflation: Slow down federal government spending and deficits or put mandatory controls on wages and prices?"

Slow down federal spending and deficits	48%
Put controls on wages and prices	27
Both	13
Neither would be effective	3
No opinion	9

A Gallup poll taken at the same time found that two thirds—67 percent—of the American public favor a constitutional amendment to require Congress to approve a balanced federal budget each year and limit spending to no more than expected revenues, unless a three-fifths majority of Congress voted otherwise.

Thirteen percent of the respondents were opposed, and 20 percent expressed no opinion.

Balance the budget

Fifty-three percent of the public think a balanced budget would decrease the rate of inflation. Seventeen percent say it would have no effect, while 12 percent think a balanced budget would increase the inflation rate.

The Gallup poll also found that 63 percent of the public think a balanced budget would decrease the number of federal employees.

Seventeen percent think the number of employees would remain the same, and eight percent think an increase

Expected Changes in Consumer Incomes
(percent of respondents)

Income will rise:	March 1979	June 1979	September 1979	December 1979	March 1980
Less than prices	62	57	53	58	58
Same as prices	31	29	32	29	27
More than prices	9	8	9	8	9
Don't know	8	6	6	5	6

Consumers' Personal Financial Situation Compared With One Year Ago
(percent of respondents)

	Better	Same	Worse
March, 1979	35	31	31
June, 1979	30	27	41
September, 1979	36	27	35
December, 1979	29	28	41
March, 1980	30	24	45

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would result. The remaining 12 percent were undecided.

Consumers do not see increased taxes as a cure for inflation; instead, they think higher taxes add to the problem. The question was:

"When taxes go up, do you think that tends to reduce inflation or increase inflation, or do rising taxes not have much effect on inflation?"

Increase inflation	52%
Not much effect	25
Reduce inflation	9
No opinion	14

A large majority—61 percent—favors a law that would index federal income tax rates so that taxpayers do not have to pay higher income taxes just because inflation pushes them into higher tax brackets. Only 16 percent oppose indexing federal income tax rates, and the rest have no opinion.

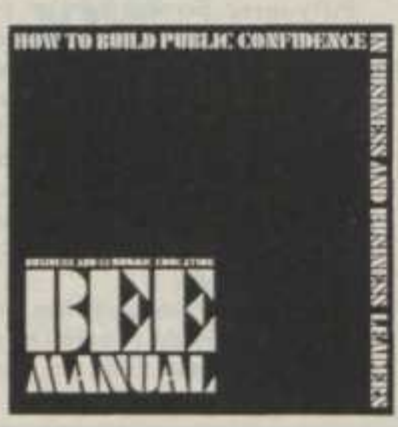
Those interviewed were told that more than half of the total federal government budget is indexed to inflation; indexed payments such as social security will increase by about 13 percent this year, while average weekly wages rose about eight percent last year.

By almost two to one—50 percent to 27 percent—consumers favor limiting future indexed increases in government payments to no more than the rise in average weekly wages. Another 23 percent expressed no opinion.

The persistent rapid rise in prices is painful to consumers who must adjust budgets continuously. The survey presented consumers with this hypothetical question: Suppose everyone had to take a cut in his or her standard of living—that is, reduce the amount of goods and services consumed. What would be the less painful alternative: Would you rather have stable prices with smaller take-home pay or the same take-home pay with higher prices?

While 18 percent of respondents didn't know and 16 percent were unwilling to decrease their take-home pay, fully two thirds preferred stable prices despite smaller take-home pay. That majority is a persuasive indicator of the public's reaction to inflationary price rises. □

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Odor Engineering Makes Scents

By O. A. Battista

PROGRESS, like beauty, is in the eye of the beholder. It was progress that bred a carnation that is bigger, cheaper, longer-lasting—and totally lacking in fragrance. Fortunately, another bit of progress developed a perfume that florists could spray on the odorless carnations.

The olfactory invention that returned pizzazz to the posies was part of a relatively new, fast-growing science called odor engineering. Although fragrances have been used for centuries, odor engineering now boosts more than 500 products.

The latest tally, according to Annette Green, executive director of the Fragrance Foundation, is impressive. "In 1972," says Ms. Green, "the fragrance industry had total sales of $350 million; the figure for 1979 is well above $2 billion."



PHOTO: IRA A. KELLY—MONKMEYER

Long before Cleopatra's perfumed water at banquets, fragrances have fascinated mankind. The new breed of long-lasting carnations lack odor, so florists spray perfume on real flowers.

On the wings of doves

The historic, mysterious, and romantic realms of fragrance have enchanted men and women since the beginning of recorded time. The Old Testament refers to incense. The Three Wise Men offered frankincense and myrrh. Cleopatra insisted on perfumed water as a refreshing ritual at banquets. The Persians and Arabs used distillation to extract scents. And Queen Elizabeth of Hungary sponsored formulation of the first modern-type perfume—oils in an alcohol solution—in the 14th century. The most interesting early application of odor engineering came from the Greeks who placed perfumed oils on the wings of doves that flew about spreading the fragrance.

Today's odor engineers are capitalizing on the powers of the human nose in hundreds of new ways. Well they might. The sense of smell revives memories more quickly than any of the other four senses. It makes food tasty and tells the motorist when his brakes are burning.

Fragrances can make a kitchen smell of spices and herbs rather than fish and cabbage. A foyer can welcome guests with a whiff of jasmine or magnolia instead of eau d'ammonia. A living room can be scented like a garden in the morning and turn into a forest by evening. A bedroom can smell romantic, not merely bacteria-free.

The odor engineer has broadened

PHOTO: NATHAN BENN—WOODFIN CAMP, INC.



Odor engineering can make a fishy kitchen smell of spices and herbs and a bedroom smell romantic. The atmosphere of a decidedly unpalatable process—tanning animal hides—can also be made aromatic.

the scope of nose appeal. Take the case of a freight firm whose ships transported decidedly unfragrant raw hides from South American ports to New York City. Two weeks or more below decks, while traveling through the tropics, didn't improve the odor of the hides a bit, and the firm wanted to make the atmosphere during unloading less noxious.

The problem was solved by dipping the frayed end of a rope in an odorant called Alamask, which is made by Du Pont. The rope was suspended in the hold as soon as it was opened in New York. While the space below decks was still no rose garden, the odorant cleared the atmosphere to the point where it was no longer objectionable.

Then there was a fish-processing plant in one of New England's larger cities, forbidden to operate during the day because of its unpleasant waste gases. Alamask, sprayed into the stack at a cost of a dollar a day or less, nullified the odor. Now the plant can operate around the clock.

The odor business requires constant research and testing to develop new products. For example, International Flavors & Fragrances, Inc., of New York City chalked up net sales of more than $409 million in 1979 and expects to spend $3 million for research and development this year.

"It is possible to imitate more than 30 percent of the natural odors," says Ira D. Hill, vice president of technology for the firm, the nation's leading producer of synthetic odors.

"We can make the bathroom smell like the fresh outdoors," he says, "or create a toilet cleanser that smells just like a day in the woods after an electrical storm."

Smells as it should

His company supplied the fragrance that florists spray on odorless flowers. "At one time, for example, carnations had this lovely, spicy, cinnamon-like odor," Dr. Hill says. "They are now bigger, cheaper, and last for weeks, but the odor has been bred out. So we provide the fragrance for real flowers."

Another unusual application is the pungent synthetic smell of manure used by some fertilizer companies. "People have the idea that something that smells like manure is going to be a better fertilizer," says Dr. Hill, who added that he once received a letter from a fire insurance company, and the paper smelled like wet, charred wood.

A pharmacist who wanted his drugstore to smell like an old-fashioned apothecary says: "In the old days, you could smell carbolic acid and camphor in drugstores because they were ingredients in a lot of formulas." The druggist brought back this odor with a vaporizer and increased his sales because people started to think he was more dependable than the pharmacy down the street, where the main odor came from the lunch counter.

Peter A. Midwood, marketing manager of Proprietary Perfumes International, Ltd., fragrance manufacturer, says: "Many, many products today have some perfume added, even things like bathroom tissues and paper towels. While seldom affecting the technical properties of a product, perfumes do improve its overall acceptability and thus help sales."

However, the nice-smell theory of marketing still has a long way to go with products like cod liver oil. □

MARCH SOUND OFF RESPONSE ON PAGE 86.

Will Credit Controls Reduce Inflation?

THE new credit control rules initiated by the Carter administration are confusing lenders, borrowers, and even the Federal Reserve System, which wrote them.

The restrictions are designed to reduce the amount of credit available for unsecured loans. As President Carter explained: "Inflation is fed by credit-financed spending. Consumers have gone into debt too heavily. The savings rate in our nation is now the lowest in more than 25 years. As inflationary expectations have worsened, businesses and other borrowers are tempted to use credit to finance speculative ventures as well as productive activities."

The credit restrictions, administration spokesmen say, will help make the Fed's traditional inflation-fighting tools more effective.

Reaction to the credit policies has ranged from enthusiastic support to complete opposition. Merrill Butler, president of the National Association of Home Builders, sees the controls as an attempt to spread the burden of fighting inflation more evenly. Rudolph A. Oswald, research director for the AFL-CIO, says: "Selective credit regulation is a key weapon in the fight against inflation." The Credit Control Act is "a demonstration that other monetary means can be used . . . instead of raising interest rates higher."

At Chicago Title and Trust Co., vice president A. Vincent Agnew, Jr., says the controls are a step in the right direction if accompanied by the right fiscal and monetary policies. Like other analysts, he notes that consumer credit was already shrinking before the President's action.

Consumer groups and some legislators have objected to changing the rules of the game for consumers with outstanding debt. In response to such criticism, the Fed revised policies that would have encouraged credit card lenders to require faster repayment of debt incurred before March 14, when the program took effect.

Small-business people protest that credit cutbacks are likely to cause more problems for them than for big businesses.

Some critics say the program is mere tokenism. The vast majority of consumer credit, they point out, is used for purchasing homes and automobiles. These two industries are already in a slump and therefore are not included in the control program.

Other critics say the program puts the Fed in the business of allocating credit, and no government agency can do that as efficiently as a free market.

What do you think? Will credit controls reduce inflation? ☐

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Will credit controls reduce inflation? ☐ Yes ☐ No

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'Why Feed the Mouth That Wants to Devour Us?'

DESPITE the U. S. foreign trade deficit, many NATION'S BUSINESS readers are in favor of curtailing exports to Russia.

Readers responding to the March Sound Off question: "Should the U. S. embargo grain to Russia?" favored an embargo by more than two to one. "Anything that can embarrass the Russian government with its people is to our advantage," says retired Navy Cap. Frank K. B. Wheeler, an engineering and management consultant in Los Altos Hills, Calif.

"We produce food in great abundance. Why not use it as a weapon?"

But most who favored the grain embargo would expand it to cover some or all other items of trade. "Definitely yes, providing the United States places an embargo on all other items of trade with Russia," says Norman Yackle, superintendent of schools, Shannon school district 303, Shannon, Ill.

"Why single out grain when we continue to export other items, some of which are of vital importance to our security, such as computers and technical equipment? The farmer takes the beating while others prosper," Mr. Yackle adds.

Ralph Rennie, assistant to the president, Industronics, Inc., South Windsor, Conn., says: "Instead of the grain embargo, which is disruptive of dietary structures and will alienate the Russian populace, the U. S. government should freeze all turnkey plant construction in the Soviet Union. Such operations as the Ford Motor Kama truck plant, which was later converted to military tank production, would be contained, slowed, and perhaps abandoned as a deterrent to Russian manufacturing capabilities."

Many shared Mr. Rennie's concern about the embargo hurting the common people of Russia, rather than its policy-makers.

Others agreed with Sherm McKissock, executive vice president and manager of the chamber of commerce, South Lake Tahoe, Calif. "To counteract the predictable cry of inhuman, it should be made clear that the Soviets made the decision to spend their money on military aggression, rather than provide food for their people. There are more than enough countries in the world experiencing hunger that deserve our help and have no such alternative," Mr. McKissock says.



"Of the only real choices President Carter had—to embargo, go to war, or do nothing—he chose the option that makes sense morally," says Rep. Bob Whittaker (R.-Kans.).



"The embargo of grain will do little damage to the Russians, will certainly harm the U. S. balance of payments, and will burden farmers," says Sen. Rudy Boschwitz (R.-Minn.).

For many it is a question of which country is likely to be hurt most by such an embargo. "Something needed to be done," says Samuel L. Justice of Indian Springs Farms, Springfield, Tenn. "However, the grain embargo will have only a minimal effect, for other countries will make up the shortfall. Long-term, the embargo will harm our export trade more than Russia's economy."

But Joseph L. Bean, president, A Better Service, Inc., Hayward, Calif., suggests: "We need the grain as an alternative fuel source. If properly utilized to produce alcohol, grain could help to reduce the balance of payments and still benefit the farmers who worry that it might go to waste."

Many who oppose a grain embargo would leave politics out of trade. "No way our country can justify doing business only with countries that are willing to accept our management and dictates," says Leland J. Dugger, owner, Dugger Real Estate, Nashville, Tenn. "Russia has not changed her philosophy since our agreement to sell grain to her."

W. B. Stoltz, president, Stoltz Industries, Rolla, Mo., says: "A sale is a sale. We don't always agree with the customers we serve. The embargo disrupts the normal distribution of the world supply of commodities. U. S. farmers need these markets."

David Vanni, vice president, Vanni Nursery, Inc., Watsonville, Calif., says: "The grain embargo makes the United States an unreliable partner in international trade. Foreign buyers will not be able to depend on the United States to supply commodities they may wish to purchase."

Among the farmers who responded, many agreed with Glenn Ailshie, executive vice president, Southern Packaging and Storage Co., Inc., Mullins, S. C. "I own a farm and realize that the embargo may hurt farm income. However, farmers do not support feeding the Russians who are set on destroying democracy."

And Dennis Aston, manager of administration, York Graphics Services, York, Pa., asks: "Why should we feed the mouth that intends to devour us eventually?" □

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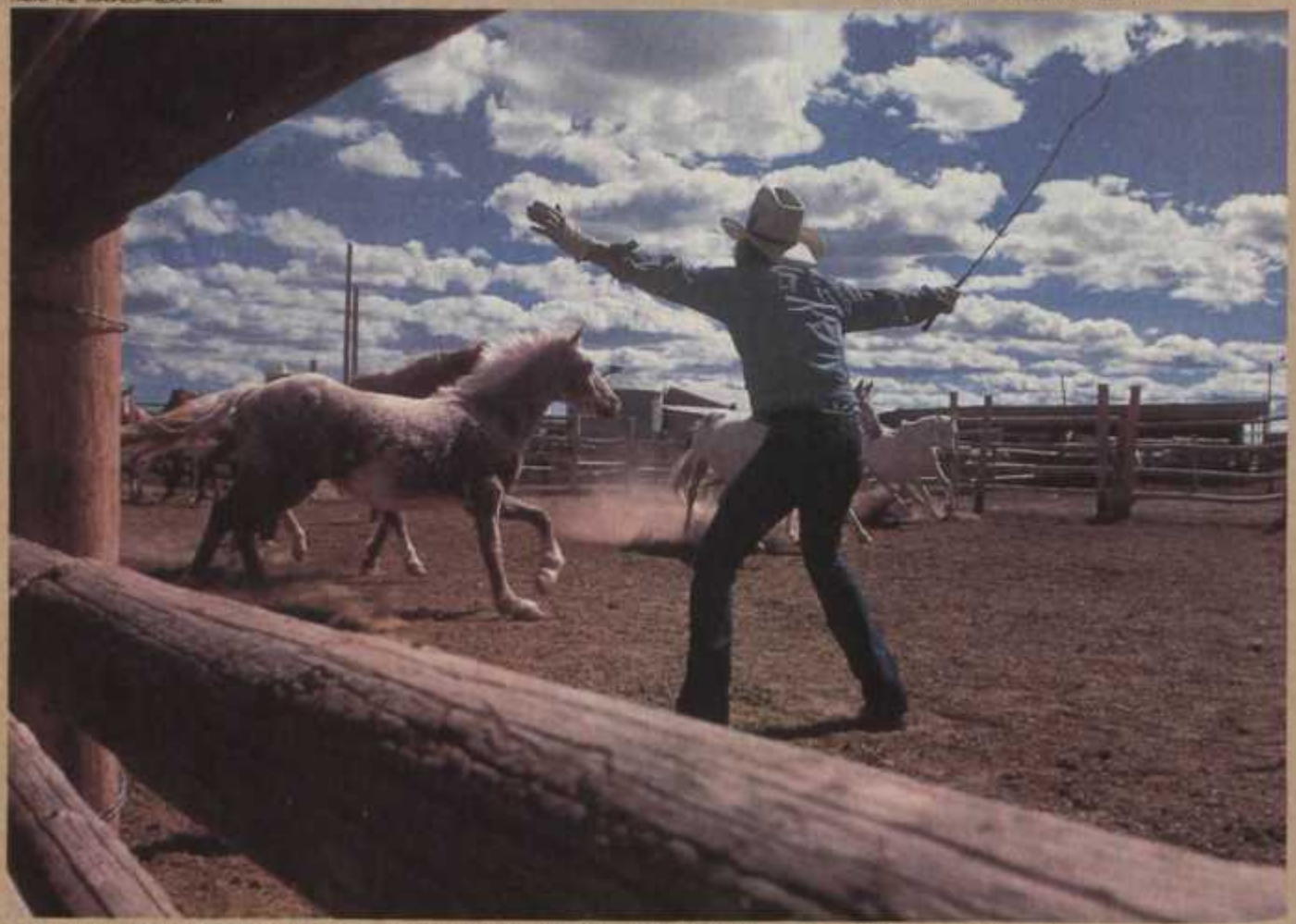
The big challenge in breeding is to determine the best genetic match-ups. Lippizaners at the Spanish Riding School have Arabian in their lineage.

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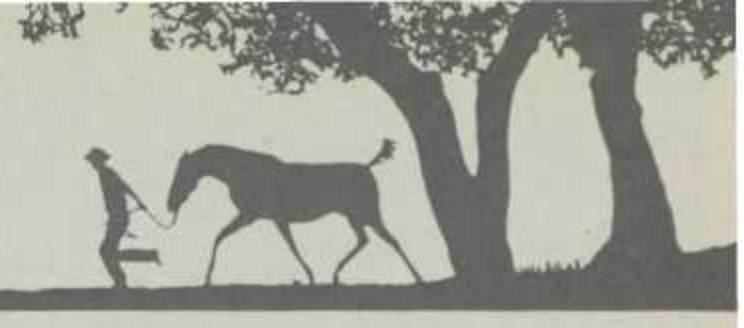


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A good quarter horse compared to an ordinary horse is like a Grand Prix compared to a station wagon.



To Fly Without Wings and Humiliate the Wind

By John Costello

"When God created the horse, he said to the magnificent creature: 'I have made thee unlike any other. All the treasures of the earth lie between thine eyes... Thou shalt find happiness all over the earth, and thou shalt accrue the love of the master of the earth.' "—The Koran

SCOTCH PLAINS, N. J., on U. S. Highway 22 may not seem like horse country. It certainly won't remind you of the old, wild West—a land of sand, sagebrush, and open spaces.

The deer and the antelope never played there. And there, where Tatyana Doughty grew up, you'll never see tumblin' tumbleweed.

In fact, as the crow flies, Scotch Plains is about 25 miles from Manhattan. But it is near horse country—the starchy Eastern variety. Peapack, in the heart of northern New Jersey hunt country, is only a 12-mile gallop and a loud tallyho away.

So Tatyana had every right to be crazy over horses. "And," she says, "I was.

"I guess I was born with an interest in horses. The first pictures most kids draw are of stick people. I drew horses. By the age of four or five, I was going over to my neighbor's farm to visit with Frosty."

Frosty wasn't a snowman. He was a horse.

"Scotch Plains is a fairly rural area," says Ms. Doughty. "Across the street from our house was a farm that belonged to Dickie's parents. Dickie was my best friend. He and I would go every day to talk to Frosty, a plowhorse.

"In fact, when my parents bought me my first horse at the age of nine, I told Dickie, and the first thing he said was: 'Let's go tell Frosty.' So we did."

By the age of 13, Tatyana Doughty was riding in competition. Before the age of 18, she was competing in the National Horse Show in Madison Square Garden, New York City. The National Horse Show is the Superbowl for American hunters and jumpers.

"The kind of competition I did then and still do is called hunter showing," she says. "It's intended to simulate the conditions found on a fox hunt. Obviously, the jumps are not authentic, but they are made to look as natural as possible.

"I do hunter seat equitation. Equitation is one aspect of horsemanship," she explains. "In other words, in equitation, the horse's performance is not judged as much as the rider's form and ability to make the horse perform on command. In straight hunter competition, it's the horse's performance that counts," she says.

The horse Ms. Doughty shows now is a big bay gelding called Slick.

Why Slick?

"Because he has that kind of personality," she says. "If he had four white feet, I'd call him Spats."

WHAT does Ms. Doughty, now an associate counsel at Beneficial Management Corp., Morristown, N. J., get out of her hobby besides bills from the stable?

"Well," she says, "riding is a good outlet for tension. I can gallop hell-for-leather and let my frustrations out. When I ride, I don't think about business problems; I think about riding and the horse.

"Riding is the only sport I've found which, unlike jogging or swimming, is exercise with a living thing. A horse may not be a person, but he sure is company," she says.

Tatyana Doughty isn't a flaky throwback to an earlier age. Horses—her hobby—are in. Sixty years ago, about 25 million horses grazed in this country's pastures or



Riding to hounds is not the ordinary person's idea of weekend recreation, yet a hard gallop across the countryside is healthy exercise, even if the fox escapes.

munched in stables. The ratio was one horse for every five Americans. If that ratio were the same today, there would be about 40 million horses in the United States.

But gasoline did them in. In 1959, a U. S. Agriculture Department survey turned up fewer than three million horses. So Agriculture stopped counting.

Even before the department survey, some experts forecast the animal's near-extinction. By 1980, one gloomy seer predicted, children would not be able to see a horse, except in a zoo.

But, as the saying goes, crystal-ball gazers often eat a lot of glass.

And they did in 1971. That was the year Agriculture made a hurry-up horse hunt. An epidemic of Venezuelan equine encephalomyelitis was threatening to wipe out America's horses.

How much vaccine was needed to immunize them? That was the question. Authorities estimated that 5.8 million horses were still alive and kicking. "Whoa!" horsemen protested. "That figure is too low." And they were right.

Now authorities estimate that roughly 12 million horses live in this country. Horses are multiplying faster than people, at about 10 percent a year, according to an estimate by the American Horse Council. By 2000, the country may have more horses than America had in 1920.

Californians do already—about 835,000, the horse council reckons. In Rolling Hills, Los Angeles, there are twice as many horses as people.

But the horse's comeback isn't confined to the West. The numbers are on the rise even more rapidly in the East. New York, for example, has 200,000 horses. That's more than you'll find in the cowboy state of Wyoming.

Maryland has almost as many horses as Nevada. Why? Because many residents of Maryland have horses for a hobby—not for work—and for racing. Today, more horses graze in suburban or urban stables than on all the farms and ranches in the country.

Take Hunterdon, Monmouth, and Morris counties in New Jersey, between the cities of Newark and Trenton. Eight out of ten horses in those counties are kept for pleasure.

NEVER LOOK a gift horse in the mouth, the old saw says. But Dick Gaines would.

"Back in 1967," he says, "my dad offered me a horse. I wouldn't have taken him if he hadn't been a quarter horse."

Why was he so choosy?

Partly familiarity. "I grew up riding quarter horses on my dad's ranch near Waurika, Okla."

And partly admiration.

"I don't think any other breed of horse compares with them," he says. "They're fantastic—especially for ranch work, like cutting cattle. Quarter horses have great ability and intelligence. They have to be able to start quick, stop quick, turn quick—and outthink a cow. A good quarter horse compared to an ordinary horse is like a Grand Prix car compared to a station wagon."

The gift horse was named Pineo Mac.

What does the name mean?

"It doesn't really mean anything," Mr. Gaines says. "He was called Pineo Mac because his sire's name was Poco Pine and his dam's was Nellie Mac. I guess the breeder just took the easy way out."

Mr. Gaines is on the board of the First National Bank in Byers, Texas, and owner of Gaines Ranch.

In 1978, 11 years after he was given Pineo Mac, he won the world championship for nonprofessional cutting-horse riders. He won the title because he was the top nonprofessional money-maker in cutting-horse contests.

"That year," he says, "I placed about 55 times in Arizona, California, Louisiana, Nevada, Oklahoma, Texas, and Missouri." His purses totaled about $35,000.

"The only criterion for a nonprofessional," he says, "is that you don't accept payment for showing or training someone else's horses. You can win as much money as you want riding your own horse as long as you pay your expenses."

Even for a banker, horses can be an expensive hobby, especially quarter horses, America's most popular breed. Mr. Gaines buys his horses young and trains them himself.

What does it cost to buy a young horse that looks as if he has promise? "A good cutting-horse prospect?" Mr. Gaines asks. "Normally, you'd buy one as a three-year-old. I'd say the price for a three-year-old would be anywhere from $10,000—and you couldn't buy a lot of good three-year-olds for $10,000—up to $300,000."

Obviously, the Slicks and Pineo Macs of this world don't come cheap.

Apart from their initial cost, how about the cost of their upkeep?

Upkeep usually costs about $650 to $800 a year, says Prof. Charles O. Collins of the University of Northern Colorado in Greeley. His figures are based on a study he made called, *Periurban Pleasure Horses: A Land Use Dilemma.*

He breaks the total down this way: Hay and grain, $450; feed supplements, vitamins, veterinary care, and showing, $100 to $250; and repair and replacement of basic riding gear, $100.

That's $6.3 billion annually for the upkeep of 8.5 million horses. How about the cost of boarding a horse? Room and board, says Prof. Collins, usually run about $60 to $90 a month. For bridal suite deluxe treatment—including exercise and vet's care—about $250 a month.

BEHIND every successful equestrian stands a man with a shovel—and a wallet. That describes fairly well Richard E. Lampton's role.

"Horses are a family hobby for us," he says. "We became interested in horses because of our children. Rebecca, our older daughter, always loved horses. For her 12th birthday, we gave her a half-Arabian mare.

"The man who sold the mare to us is

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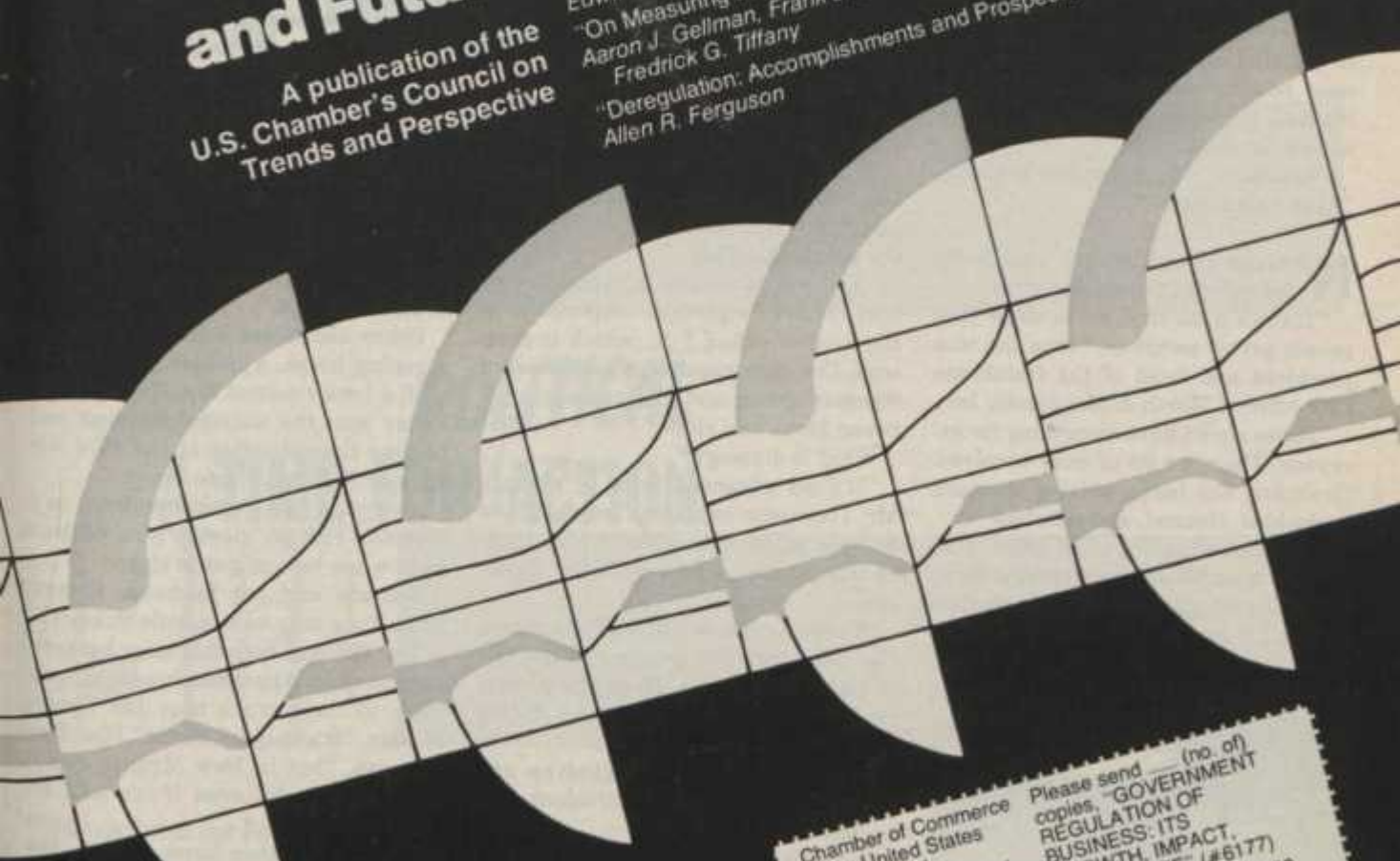
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a nationally recognized judge who owns a stable, gives lessons, and boards horses. He's a saddle-bred type. One day, he said to me: 'You know, you could show this mare.'

"I said: 'What do you mean by that?'

"And that's when we got started."

Soon, the Lamptons—Dick, wife Ruth, daughters Becky and Lisa—were making the Arabian horse show circuit.

"Our first show was at Norman, Okla.," Mr. Lampton recalls. "We rented a trailer and a hitch for my wife's car and pulled the horse to Norman."

Did Mr. Lampton ride the mare?

"No," he says. "My daughter did. I just pay, drive, and bitch."

The Lamptons' first mare, Missey, was hot-tempered. She could blow up in the ring at any time. So the Lamptons bought another horse: A full-blooded, four-year-old Arabian gelding named Ro Rakka.

"Arabians," Mr. Lampton explains, "have weird names."

NOW THE LAMPTONS are heavily involved with the show circuit.

"There's a lot to a horse show that people aren't aware of," says the vice president and head of the Oklahoma City office of Marsh & McLennan, Inc.

"Horse shows have something for everyone. There's a lot of work involved: Grooming the horse, getting the tack assembled, cleaned, and polished.

"You can either hire outsiders to do it or do it as we do—as a family. Sure, shoveling manure isn't exactly glamorous. But it isn't all that bad, either."

PHOTO: TOM HOLLYMAN—PHOTO RESEARCHERS, INC.



Thoroughbred auctions are dignified.

In 1977, the Lamptons' togetherness began to pay off. That was the year that Rebecca Lampton, resplendent in a top hat and tailored black riding habit with a red rosebud in her lapel, rode Ro Rakka to the U. S. National Champion Saddle Seat Equitation at the International Arabian Horse Association show in Albuquerque, N. Mex.

Last year, Rebecca's younger sister, Lisa, placed in the top 10 in Western stock saddle seat equitation at the national show.

So the Lampton girls have made quite a splash in Arabian horse circles, haven't they?

"Well," says a proud father, "they can sit a horse."

IS A HORSE beautiful but brainless? Was this blue-blooded animal of ancient lineage standing behind the door when God passed out brains? To put it bluntly, is this splendid companion of emperors and kings a dumb bunny?

"I wouldn't say the horse is the brightest animal in the world," says Louis M. Thompson, Jr., "but he's not the dumbest, either.

"And you do build a rapport with him. That's important—especially in the kind of riding I do, which is dressage. Dressage requires a great deal of communication and understanding between horse and rider."

What is dressage?

"It's an advanced form of riding," Mr. Thompson explains, "in which the horse is schooled to execute complicated maneuvers—like a piaffe or pirouette.

"To put a horse through its paces, the rider uses the pressure of his legs as well as the reins. Dressage is most typified by the famous Spanish Riding School of Vienna."

Compared to teaching giddyap and whoa, dressage is the equivalent of a college education.

"In this country," he adds, "it's a sport dominated by women. Sometimes they don't have as much strength in their legs as men, but they have a lot of finesse. And in dressage, that's important. However, in Europe, dressage riding teams are virtually all male."

Why would a 190-pound, six-foot ex-Army officer dress in tails, white britches, and black boots and ride a daintily prancing horse?

It sure ain't rodeo.

Mr. Thompson, senior staff vice president at the National Association of Home Builders, Washington, D. C., laughs.

"I've been riding for six years," he says, "and after a workout, I can still feel the effort in my legs and my back.

"You should see novice riders after their first hour at riding. They can hardly walk. And they can't walk up and down stairs for several days.

"Dressage is very competitive, and I love competition. There's nothing I like better than going out and beating the pros. I don't beat them all the time, but sometimes I do."

POKEY, in the words of one observer, "was an incredible horse."

In fact, if Pokey Bar-Gee had been a child, he might have been the kind of son every father dreams of—athletic, quick, strong yet gentle, and charming. Pokey had charisma.

"We bought him," says Nora Wilson, "from the widow of a dear friend. We liked him, but we bought him partly for sentimental reasons, not because we were itching to own a horse.

"He was a dun-colored Appaloosa with white spots, four white stockings, and a black mane and tail. He was gorgeous.

"And Pokey is the reason why we got into the horse business—by accident, not design."

Pokey had talent and looks. He was a roping horse, a header. Teamed up with a heeler named Equal's Supreme, Pokey won the national heading and heeling championship at the 1976 Appaloosa National Horse Show.

Two years ago, Pokey foundered on a diet too rich in clover. Mrs. Wilson wept when he was put to sleep.

But she and her husband, Robert, think they may have a little Pokey II.

The Wilsons, both mortgage brokers, now have an Appaloosa breeding operation at their ranch near Los Lunas, N. Mex. "It's only ten acres," Mrs. Wilson says, "but in New Mexico, everything's a ranch—even if it's half an acre."

Like many other horse owners, the Wilsons raise and train horses—and sell some. It's a sideline that helps them to afford an expensive hobby.

What do they get out of it?

"To me," says Mrs. Wilson, president of Realty Resources Corp., "the pleasure in the horse business is handling the foals. I condition and handle the foals myself.

"But the big challenge is in deciding where and to whom the mares will be bred. The challenge is to determine the best genetic match-ups that will produce the best horse.

"Some people play cards, and some bet on football teams. I bet on breeding." □

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David A. Klein wants to help you do the town in quiet luxury. So allow the chauffeur to open the rear door of the limousine, slip into the plush back seat, settle into its comfort, and unwind.

"Elegance will surround you," says Mr. Klein, "and when the chauffeur presses the button that automatically locks the doors, you will feel as if you are shutting out the world."

Enter the world of Dav-El Livery, the limousine company that Mr. Klein founded nine years ago with one car which he used for the opening of *Follies* on Broadway. Now there are more than 125 limousines shuttling clients to and from the airport, the theater, dinner, or whatever, in six major cities.

"We had one client, a young woman, who just wanted to do some Christmas shopping and enjoy it. She didn't want to be bothered carrying packages from store to store, so she hired a limousine for the day."

And then there was Helmut Schmidt, chancellor of West Germany, in New York City on official business. The entire West German party traveled from airport to city to the Waldorf Astoria in Dav-El limousines.



"Traveling by limousine is classy," says David Klein of Dav-El Livery.

Certainly, business people account for more than half of Dav-El's clients. But the trend is toward more extravagant uses of rented limousines by ordinary people, like the couple who wanted to do something special on their anniversary, or the young man who wanted to impress his very special date, or the group of widows who wanted a first-class tour of the city.

"We will do anything for our customers," says Mr. Klein, "including arranging a tour, picking up an airline ticket, making a run in the middle of the night, delivering a dinner, or simply instructing a chauffeur to respect the client's need for a little peace and quiet."

Mr. Klein knows all about chauffeuring. For several years he worked behind the wheel of his first limousine. In fact, he lived and slept with it in a garage that doubled as his home. "I kept the short-wave radio on and when I would hear a request made for a limousine to pick up someone at the airport, I would respond to the call," he remembers. "It really didn't matter if it was 10 p.m. or 3 a.m."

Prior to Dav-El, Mr. Klein, who has a degree in business administration, worked as an investor on Wall Street, sold used cars, and parked cars at the country and beach clubs in suburban Westchester.

"One night while parking cars, I saw a long black limousine pull up to discharge its passengers, and I thought right then and there, that is the way to go."

The drive down New York's Fifth Avenue is regal. The grey Cadillac limousine imposes its presence on the cabs and carriages of city traffic, the elegant luxury wraps itself around you, and people, for all of their New Yorker worldliness, stare as the limousine glides by.

"The mystique of traveling in a limousine is wonderful," says Mr. Klein. "You literally step in and out of a completely different world.

"I really don't think traveling by limousine is any more expensive than taking a cab, especially in cities such as New York or Los Angeles," he says. "Rental rates range from $22 to $32 per hour depending on the type of car requested.

"If nothing else, it's classy," he says as he moves his hand along the genuine pigskin interior, pointing out the built-in bar, the quadraphonic stereo, brass flower vases . . .

Bibliophile Prevails With Written Words

If you didn't know that Frederick Ruffner was president of Gale Research Co., Detroit, Mich., you might think he was just another library browser. But then again, if you didn't know that you were standing in the reception area of the company's headquarters, you would think you had been transported back in time to a classic 19th-century library.

To your right rests his pride and joy, the Cotgreave Indicator, a 100-year-old iron and wood structure used to keep track of books checked out of libraries. To your left are oak-carved reading chairs, miscellaneous Victorian artifacts, and old signs. Everywhere are old leather-bound books lining the walls and impinging on window space.

And there stands Frederick Ruffner, glasses firmly affixed to the bridge of his nose as he pores over cherished books.

"I truly believe in the written word," he says. "If the world were totally destroyed, except for the New York Public Library, the country could be rebuilt just by using the information contained in the books housed there."

It is certain that one of the books used to re-establish the American culture would have been published by Gale Research. The 25-year-old company is one of the largest publishers of reference books in the country.

As a market researcher in the mid-1950s, Mr. Ruffner found a lack of information on trade associations and professional societies. Figuring there



"I prefer newspapers," says Frederick Ruffner of Gale Research Co.

must be hundreds of other market researchers needing the same information, he rented office space for $5 a month and with his reporter-turned-editor wife, he began publishing the *Encyclopedia of Associations*. In 1955, the book listed about 6,000 trade associations and professional societies. Today, it is still the company's best seller and lists more than 13,000 different groups.

"For as many causes as exist today, there will always be trade groups formed to support or oppose them. So trade groups will always keep me in business."

Gale Research also holds the Rosetta Stone to acronyms, in the form of a second best seller called *Acronymns, Initialisms, and Abbreviations Dictionary*. For all the call letters used to shorten the names of government agencies, cities, companies, or groups, the book unlocks insider shorthand.

"I don't mind people who consistently use acronymns," he says. "If we didn't use them, we would have very lengthy conversations."

When not involved in the book business, Mr. Ruffner tends to gravitate towards the nearest library. "Basically, my leisure activities are an extension of my business . . . reading, writing, editing."

But what about all that jazz? "I admit that is not an extension of my business, but I do love to see live jazz or to listen to the stereo."

Perhaps that is the only form of the electronic media he appreciates.

"I certainly don't have anything against television . . . but many more things can be had from the written word. I prefer to read the newspapers . . . that way I absorb what I want to. I have no doubt that the printed word will prevail."

Going, Going, Gone on the Stuff of History

William J. Doyle has an immedicable disease called collectoritis. It is caused by a fondness for junk, antiques, old stuff, or other collectibles. It is completely addictive, and to date, Mr. Doyle has found no cure.

Fortunately, the disease is also Mr. Doyle's business—he is president of William Doyle Galleries, Inc., New York City, the country's third largest auction house. "Our business is experiencing tremendous growth," he says. "Ten years ago, 40 percent of all resale goods in the United States went to auction. Today, 90 percent of the goods go to auction. But more than the growth, the challenge of treasure hunting 24 hours a day excites me."

Even as a kid, Mr. Doyle found it fun to rummage through old family belongings, junk piles, attics, and garages. While other kids dealt lemonade to passersby, he organized his brothers into a small business that would remove the junk from a customer's premises, then sell or pawn the merchandise to second-hand stores or antique dealers.

After putting in some time at Boston University and a tour of duty in the Navy, Mr. Doyle worked for Chase Manhattan Bank's stock trade program. But, he admits, he never outgrew his love of antiques. In 1963, after dabbling in part-time dealing, he decided to make his hobby a full-time job.

"I find this business terribly romantic. I can't say that I am romantic because I don't have the time to be. But walking into someone's home, who has lived there all of his life and hasn't changed a thing in 50 years, is exciting and romantic.

"Recently in Boston, the experience was just like *Arsenic and Old Lace*, only I didn't have any brandy. Two sisters, one 84 and the other 90, lived in one of those old brownstone houses on Beacon Street. They wanted to sell the contents because the children weren't interested in having any of it.

"One held my hand and told me she trusted me to find a good home for her valuables."

Mr. Doyle believes that antiques and collectibles are in vogue today because they reflect true craftsmanship.

"People collect antiques because they are a good investment. . . they are going to hold up during inflationary times." □



"The first rule of auctions is to examine the merchandise," says William Doyle, who has his own auction house and talks at a 60-mile-an-hour clip.

EDITORIAL

The Ideal Taxpayer. . .

A Strong Back and Deep Pockets

ON WHOSE BACKS is the fiscal 1981 budget being balanced? Some say the poor, and they are right if they mean the poor taxpayer. The proposed cuts in the budget are so modest that many perceptive observers have trouble finding them. Conversely, the anticipated tax increase for 1981 is $96 billion, the largest in U. S. history.

Some of this increase is law, while some must still be enacted. Some of it happens automatically, as inflation pushes taxpayers into higher income brackets. And some of it the individual will pay through higher prices, rather than higher direct taxes. But it is all there in the official budget figures:

$38,000,000,000	Individual Income Taxes
$25,000,000,000	Social Security Taxes
$15,000,000,000	Windfall Oil Profit Tax
$13,000,000,000	Gasoline Conservation Fee
$3,000,000,000	Withholding on Interest and Dividends (if enacted)
$2,000,000,000	Excise Taxes
$96,000,000,000	**Total Increase**

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